



Glenn Hegar

Texas Comptroller of Public Accounts

CENTRALIZED STATE PURCHASING STUDY

(Senate Bill 20, 84th Legislature)

DECEMBER 2016

December 21, 2016

The Honorable Greg Abbott, Governor
The Honorable Dan Patrick, Lieutenant Governor
The Honorable Joe Straus, Speaker of the House
Members of the Texas Legislature

Ladies and Gentlemen:

Senate Bill 20 enacted by the 84th Legislature directed the Comptroller's office to conduct a study examining the feasibility and practicality of consolidating state purchasing functions into fewer state agencies or one state agency. The enclosed report is presented to the Governor and the Texas Legislature in fulfillment of that requirement.

The report by the Comptroller's office addresses the bill's statutory study requirements to examine savings that may be achieved:

- through abolishing departments of state agencies that have a dedicated purchasing department,
- and consolidating or reducing the number of vendors authorized to contract with this state to allow Texas to better leverage its purchasing power.

The report is informed by the analysis of agency expenditures data captured on state accounting systems and information provided directly from agencies.

To address the statute's requirements regarding the study, the Comptroller's office determined from the state accounting systems that 108 state agencies, boards, commissions, courts and legislative entities contracted for more than \$11 billion annually in fiscal years 2014 and 2015 with more than 40,000 vendors. A questionnaire sent to each entity sought data about the procurement and contracting personnel, purchasing practices, and the two departments currently charged with statewide contract development — the Comptroller's Statewide Procurement Division and the Department of Information Resources.

This report attempts to shed light on the complexity of state purchasing and contracting, where many distinct needs of diverse agencies — in size, budget and mission — challenge the concepts of either wholly centralizing or decentralizing state purchasing. It is imperative that the state agencies continue to focus on ensuring the best value standard is achieved in purchasing; understand and adhere to purchasing statutes; develop effective contracts; work in cooperation; and continue to improve data reporting so that opportunities for efficiencies can be identified that will benefit the taxpayers of Texas.

Sincerely,



Glenn Hegar

Enclosure



The data represented in
the **Comptroller of Public Accounts S.B. 20** study is
available in accessible data form (Excel).

The data represented in
the **RSM S.B. 20** report is
available in accessible data form (Excel).

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DEFINITIONS

CENTRALIZED ACCOUNTING AND PAYROLL/PROCUREMENT SYSTEM (CAPPS):

The successor system for the Uniform State Accounting System, CAPPS is an enterprise resource planning system offering real-time web-based access to state financial and human resources systems. It is being deployed to CAPPS-Central agencies where the system is managed from the Comptroller's office, and a smaller number of CAPPS-Hub agencies where the system is managed at the agency level.

CONTRACTING: Contracting is defined as the process of entering into a formal agreement for goods and/or the delivery of services. The contracting process typically involves analyzing requirements, evaluating possible vendors, negotiating contracts to select a vendor and managing the vendor contract. Contract management practices and reporting of contracts across state government agencies ensure accountability and transparency.

COUNCIL FOR COMPETITIVE GOVERNMENT (CCG): This state entity was established in statute in 1993 to develop innovative statewide contracts. It is currently managed from the Comptroller's Statewide Procurement Division. CCG's existing contracts overlap the non-IT and IT contracting authority granted more recently to SPD and DIR.

DEPARTMENT OF INFORMATION RESOURCES (DIR): This state agency established statewide contracts for information technology goods and services, and manages the state's telecommunications contracts.

PURCHASING: Purchasing is the process of acquiring goods and services under a preexisting contract or using delegated authority to buy items not on contract. The purchasing process broadly includes steps from issuing the purchase order through receipt of ordered goods and services.

TXSMARTBUY: This online ordering system for commodities and services is available on statewide contracts procured by the Statewide Procurement Division.

STATEWIDE PROCUREMENT DIVISION (SPD): SPD, a division of the Comptroller of Public Accounts, establishes statewide term, managed or TXMAS contracts for non-IT commodities and services that may be used by Texas state agencies, public colleges and universities, and local governments and other CO-OP members. SPD also manages the state's training and certification program for purchasers and contract managers. Prior to June 2016, it was known as the Texas Procurement and Support Services Division (TPASS).

TEXAS MULTIPLE AWARD SCHEDULES (TXMAS): Statewide contracts for commodities or services that are based on existing contracts negotiated by other governmental entities, usually the federal General Services Administration.

UNIFORM STATE ACCOUNTING SYSTEM (USAS): USAS is used by Texas state agencies and institutions of higher education to capture accounting activities that are used to produce state payments, budget, agency and legislative reports.

EXECUTIVE SUMMARY

THE CENTRALIZED STATE PURCHASING STUDY

Texas state government serves approximately 28 million residents providing diverse services, supporting business and commerce, providing public safety and justice, administering social programs and ensuring appropriate regulatory measures are enforced for the public good.

Every year, state agencies, as well as public higher education institutions, and local governments and other entities, purchase billions of dollars of goods and services using centralized contracts primarily established by the Texas Comptroller of Public Accounts' Statewide Procurement Division (SPD) and the Texas Department of Information Resources (DIR). But the majority of state purchasing is conducted by individual state agencies using one-time contracts.

The 84th Legislature passed Senate Bill (SB) 20 which directed the Comptroller to study existing purchasing practices in Texas state government. The study examines the feasibility and practicality of consolidating state purchasing functions and offers recommendations in this report to the Legislature. Specifically, the statute requires that:

The study must examine the cost savings to this state that may be achieved through:

- *abolishing offices or departments of state agencies that have a dedicated office or department for purchasing; and*
- *consolidating or reducing the number of vendors authorized to contract with this state to allow this state to better leverage its purchasing power.*

In accordance with the statute, this report includes:

1. *a detailed projection of expected savings or costs to this state in consolidating state purchasing;*
2. *a report on the process for the legislature or the executive branch to implement the consolidation of state purchasing;*

3. *a list of state agencies, including dedicated offices or departments in those agencies, with purchasing responsibilities; and*
4. *the total cost to this state of the purchasing responsibilities for each state agency, including the dedicated office or department in the agency with purchasing responsibility.*

Other aspects of SB 20 implementation relate to increased scrutiny of and reporting for contracts that expend public funds.

DATA COLLECTION AND ANALYSIS

In spring 2016, the Comptroller's office contracted with RSM US LLP to perform data analysis and consulting services in support of the purchasing study. RSM analyzed fiscal years 2014 and 2015 expenditure data for 108 state agencies that use either the Uniform State Accounting System (USAS) or the Centralized Accounting and Payroll/Procurement System (CAPPS) (the successor of USAS). The list excludes institutions of higher education, which are not required to use the CAPPS system and receive all or partial funding from sources not appropriated by the Legislature.

UNDERSTANDING THE STUDY AND STATE PURCHASING AND CONTRACTING

In this report, the Comptroller aims to present realistic opportunities for the Legislature to enact reforms to the state purchasing process, in light of existing and ongoing efforts such as the consolidation of state agencies that provide health and human services, the ongoing implementation of CAPPs, and statutes that regulate state agency spending and authorize certain delegated spending.

This report draws from the RSM research to directly respond to the study instructions in SB 20, and to consider the practical opportunities to enhance the quality of state contracting as proposed. The RSM report is included as an appendix to this report and should be read in the context that it was prepared during spring-summer 2016, using complete fiscal year data for 2014 and 2015, and the organizational structures that existed at that time.

A benefit of this study is that it has provided the opportunity for Texas to procure the services of an experienced consulting firm to specifically examine state spending. The independent opinions and recommendations are based on experience working with many other government and private sector organizations and examining the state of purchasing and contracting in Texas immediately preceding and during the implementation of the SB 20 legislation. This study has provided the Comptroller the opportunity to hear from each participating agency and better understand its resources and value of its expenditures.

Significantly, state purchasing has not existed in a vacuum since June 2015; it has continued to evolve, and in many cases, improve in response to aspects of the SB 20 and other legislation, and to restructuring and leadership appointments in agency purchasing divisions, including those at Health and Human Services agencies, DIR, the Comptroller's office and other agencies. In effect, that has accelerated the process of transformation even before this study was complete.

IS TEXAS CENTRALIZED OR DECENTRALIZED?

A fully centralized state procurement system would require all contracting and purchases by state agencies to be developed, negotiated and executed by the staff of a single statewide procurement agency, and the goods and services delivered to each agency. At the opposite end of the spectrum, a fully decentralized system would place each agency in charge of its own purchasing decisions, from developing a contract to soliciting a vendor independently for every one of its needs, whether for laptop computers, cases of beans for prisons, electricity supply for office buildings, soap for staff bathrooms, home care providers for disabled Texans, or contractors for building a highway overpass — the list could go on and on.

As it stands, Texas is partially centralized. The Legislature recognized decades ago that many agencies (and

universities and local governments) need to buy the same products and services. Authority was established for centralized purchasing (previously the responsibility of the General Services Commission and its successor, the Texas Building and Procurement Commission) to determine and establish appropriate statewide contracts that would eliminate duplication of effort, and to ensure the state's whole purchasing power was leveraged rather than agencies having to negotiate contracts individually and potentially pay different prices for the same product.

Currently, non-information technology (IT) goods and services are procured by the Statewide Procurement Division (SPD), a division of the Comptroller of Public Accounts (previously called the Texas Procurement and Support Services Division (TPASS)); information

technology goods and services contracts, and telecommunications contracts are established by the Department of Information Resources (DIR).

Additionally, the opportunity to provide work and revenue opportunities for inmates in state prisons and disabled Texans established priority purchasing requirements for goods and services supplied by Texas Correctional Industries and (for the past four decades) TIBH, a non-profit vendor that contracts with the Purchasing from People with Disabilities program of the Texas Workforce Commission. For goods and services that are extremely specialized, complex or have not been determined to be useful or valuable enough to benefit from a statewide contract, agencies are delegated the authority to procure contracts and purchase independently.

SUMMARY RESPONSE

The study sought responses to the statute’s four specific questions in the context of potentially reducing the number of purchasing departments with state agencies and the number of vendors that contract with the state.

Because state agencies vary significantly in size, personnel, and budget as they conduct their specific missions, it was first necessary for the Comptroller’s office to identify the number of agencies that would be studied, then isolate the expenditures that are purchasing and contracting with vendors, determine the purchasing and contracting resources — departments and personnel — and the number of vendors and value of the business they conduct with the state of Texas annually.

These data were assembled using existing state systems and obtained directly from state agencies, and analyzed by RSM in conjunction with the Comptroller’s office. In addition to the expenditure data provided by the Comptroller for the 108 identified agencies, responses to personnel and contracting questions were obtained from 101 agencies that account for more than 99.9 percent of fiscal 2015 purchasing and contracting expenditures.

EXISTING CONSOLIDATION

The study examines annual expenditures of 108 agencies that totaled \$11.1 billion in fiscal 2015. RSM grouped the 108 state

agencies into expenditure tiers. (See RSM Appendix B for summary and complete tier lists.) The 10 agencies in the highest expenditure tier — \$100 million and higher — range markedly from \$151.5 million by the Department of Family and Protective Services (DFPS) to \$6.66 billion by the Texas Department of Transportation (TxDOT) (Table 1.)

With more than 60 percent of the expenditures, TxDOT purchasing demonstrates a significant consolidation of expenditures and subject matter expertise in a single agency purchasing area. Unsurprisingly, TxDOT is also the largest user of statewide contracts.

Spending by the Health and Human Services (HHS) agencies, which have largely moved purchasing staff under the Health and Human Services Commission (HHSC) since the passage of SB 20, also reflects a natural consolidation of specialized purchasing and contracting. Four of the HHS agencies — HHSC, DFPS, Department of Aging and Disability Services (DADS), and Department of State Health Services (DSHS) — are in the spending tier of \$100 million or more. The other agency, Department of Assistive and Rehabilitation Services (DARS), was in the second highest expenditure tier in fiscal 2015. (As part of a multi-year reorganization from five to three HHS agencies approved by the Legislature in 2015, DARS and DADS programs and staff are transferring to HHSC and these standalone agencies are being eliminated.) Combined, the five agencies comprising the state’s HHS enterprise spent \$1.87 billion, second to TxDOT.

TABLE 1

STATE AGENCIES WITH PURCHASING AND CONTRACTING EXPENDITURES \$100 MILLION OR HIGHER IN FISCAL 2015

AGENCY SPENDING TIER (FISCAL 2015)	AGENCY NUMBER	AGENCY NAME	FISCAL 2015 TOTAL EXPENDITURES	NO. OF TRANSACTIONS
Over \$100 Million	530	Department of Family and Protective Services	\$151,547,039	18,599
	362	Texas Lottery Commission	\$157,366,751	2,058
	701	Texas Education Agency	\$164,336,076	4,089
	539	Department of Aging and Disability Services	\$248,272,179	69,965
	405	Department of Public Safety	\$268,685,413	25,495
	305	General Land Office	\$323,450,859	9,743
	537	Department of State Health Services	\$467,500,936	78,565
	696	Texas Department of Criminal Justice	\$762,343,766	117,955
	529	Health and Human Services Commission	\$959,961,321	60,806
	601	Texas Department of Transportation	\$6,661,770,427	190,902

Sources: Texas Comptroller of Public Accounts, RSM. (RSM Appendix A)

STATUTORY CHARGE

1. A detailed projection of expected savings or costs to this state in consolidating state purchasing

- Based on the reporting of the 101 agencies that participated in the SB 20 study questionnaire, 1,164.6 full-time equivalents (FTEs) were involved in spending approximately \$11.1 billion in fiscal 2015 (see Table 2). Although many agencies have staff in full-time purchasing and/or contracting roles, for half of the agencies, purchasing and/or contracting is a small or very small percentage of their organization, amounting to less than a single FTE’s duties.
- It is possible that further consolidating state purchasing could make the purchasing process more efficient, but may not produce measurable or significant savings. For larger state agencies, purchasing and/or contracting may comprise all or most of an employee’s workload. For medium and smaller agencies, purchasing and contracting may be a significant or minor part of an employee’s duties. Because of the varying levels of purchasing throughout state agencies, consolidation may improve the overall quality and efficiency of contracting, but may not significantly decrease the cost of purchasing for agencies. By further consolidating purchases, however, efficiencies may be gained leading to cost savings that would allow agencies, particularly small agencies, to deploy their resources more effectively in their primary missions.

Texas state agencies could further consolidate purchasing; this change of responsibility for purchasing from individual agencies to a single ordering point may not reduce overall state staff, but it could enhance the bang that Texas gets for its buck in the form of savings through better contracts.

Accurate data reporting is essential if the Legislature’s goal of consolidating purchasing is to be achieved. SPD and DIR must be able to evaluate expenditures by each agency to find duplication across state purchasing and contracting that can be leveraged to develop new statewide contracts. The challenges encountered by RSM during the SB 20 study demonstrate that improved data reporting is necessary. Careful reporting by agencies opens the door for better analysis by SPD and DIR as delegation requests are reviewed and statewide contracting opportunities are evaluated.

2. A report on the process for the Legislature or the executive branch to implement the consolidation of state purchasing

- For the agencies with limited expenditures, there are relatively little savings to be achieved by cutting personnel; however, the Legislature or executive branch could instruct agencies below a certain threshold of expenditures to consider working with SPD and/or DIR to conduct purchasing to ensure that the best value opportunities and state-managed contracts are being used effectively. Agencies could also consider following the example of the State Office of Risk

TABLE 2

AVERAGE NUMBER OF FTES WHO PERFORM PURCHASING AND CONTRACTING

See RSM Appendix A for a list of the agencies in each tier.

(Note: Seven in-scope agencies did not respond to the SB 20 agency questionnaire; their data are not included.)

AGENCY EXPENDITURE TIER (FISCAL 2015)	NO. OF AGENCIES	PURCHASING/ CONTRACTING FTES	AVG. FTES	2015 TRANSACTIONS	AVG. TRANSACTIONS PER FTE	2015 EXPENDITURES	AVG. EXPENDITURES PER FTE
\$0-\$99,999	27	8.91	0.330	2,883	323.57	\$1,295,580.30	\$145,407.44
\$100,000-\$999,999	26	30.76	1.183	11,052	359.30	\$10,819,453.72	\$351,737.77
\$1,000,000-\$9,999,999	17	62.49	3.676	21,977	351.69	\$62,803,334.26	\$1,005,014.15
\$10,000,000-\$99,999,999	21	325.71	15.510	196,459	603.17	\$864,910,486.53	\$2,655,461.87
Over \$100 million	10	736.70	73.670	578,177	784.82	\$10,165,234,765.13	\$13,798,336.86
Grand Total	101	1,164.57	11.530	810,548	696.01	\$11,105,063,619.94	\$9,535,763.09

Sources: Texas Comptroller of Public Accounts, State Agency Responses, RSM.

Management, which has limited procurement needs, and has contracted with the Office of the Attorney General to conduct its administrative functions, including purchasing, leveraging the expertise of the larger agency.

- The RSM analysis indicated that small agencies are proportionately much smaller users of statewide contracts. These agencies should review annual purchases to find missed opportunities to use statewide contracts. Additionally, ending the practice of some agencies to purchase off statewide contracts without using available e-procurement platforms that restrict offline sales could potentially avoid loss of revenue owed on statewide contract administration fees that isn't reported by vendors.
- In 1993, the Council for Competitive Government (CCG) was established to provide innovative statewide contracts. Administered by the Comptroller's office since 2007, over time its role has been recognized as substantially duplicative to the other broader statewide contracting conducted at the Comptroller's office. In an effort to streamline statewide contract development, CCG's management has been moved to SPD. Almost all of CCG's contracts could be replaced with contracts developed or updated by SPD, with the remaining transferred to DIR. Given the changes in statewide procurement authority that have placed responsibility for contracting with SPD and DIR, the Legislature could discontinue CCG to consolidate the statewide contracts.
- The director of SPD and the executive director of DIR act, in effect, as statewide chief procurement officers over their respective purchasing responsibilities, as the statewide purchasing focal points for state agencies, and as the liaisons to national and interstate purchasing organizations. Since the SB 20 study was begun, both SPD and DIR have appointed new heads who have reorganized leadership and processes, partially in response to the 84th Legislature's efforts to improve state contracting through SB 20 and other legislation. The Legislature could formalize these designations as CPO-General Procurement and CPO-IT.

3. A list of state agencies, including dedicated offices or departments in those agencies, with purchasing responsibilities

4. The total cost to this state of the purchasing responsibilities for each state agency, including the dedicated office or department in the agency with purchasing responsibility

A total of 108 state agencies with purchasing responsibilities, for the purposes of this study, was identified (Table 3.) Two of them — State Office of Risk Management and Office of the State Prosecuting Attorney — have contracted with another agency to administer their business operations, including purchasing. During the questionnaire process, both of these agencies worked with their respective partner agencies to submit expenditure and personnel data that reflected the cost of purchasing on behalf of the smaller agency.

Note: Table 12 expands upon the data presented in Table 3 by including detailed FTE information reported by responding agencies in the context of each agency's total salary and personnel numbers, as well as the cost of procuring goods and services as a factor of the agencies expenditures on purchasing and contracting.

TABLE 3

AVERAGE NUMBER OF FTES WHO PERFORM PURCHASING AND CONTRACTING

See RSM Appendix A for a list of the agencies in each tier.

(Note: Seven in-scope agencies did not respond to the SB 20 agency questionnaire; their data are not included.)

AGENCY	AGENCY NAME	ESTIMATED PROCUREMENT FTES (1)	ALL PROCUREMENT SALARIES (3)	FISCAL 2015 PROCUREMENT EXPENDITURES (4)	PROCUREMENT SALARY COST PER \$1 SPENT
101	SENATE (2)	-	-	-	-
102	HOUSE OF REPRESENTATIVES (2)	-	-	-	-
103	TEXAS LEGISLATIVE COUNCIL (2)	-	-	-	-
104	LEGISLATIVE BUDGET BOARD	0.43	\$37,094.56	\$1,114,397.87	\$0.03
105	LEGISLATIVE REFERENCE LIBRARY (2)	-	-	-	-
116	SUNSET ADVISORY COMMISSION	0.06	\$4,933.72	\$43,698.22	\$0.11
201	SUPREME COURT (2)	-	-	-	-
211	COURT OF CRIMINAL APPEALS	0.11	\$7,164.20	\$81,094.78	\$0.09
212	OFFICE OF COURT ADMINISTRATION	2.86	\$177,043.54	\$3,012,536.24	\$0.06
213	OFFICE OF STATE PROSECUTING ATTORNEY	0.03	\$4,314.72	\$11,469.31	\$0.38
215	OFFICE OF CAPITAL WRITS	-	-	-	-
221	FIRST COURT OF APPEALS DISTRICT	0.05	\$3,056.77	\$106,834.28	\$0.03
222	SECOND COURT OF APPEALS DISTRICT	0.35	\$21,893.40	\$49,819.92	\$0.44
223	THIRD COURT OF APPEALS DISTRICT	0.1	\$8,814.21	\$81,763.81	\$0.11
224	FOURTH COURT OF APPEALS DISTRICT	0.4	\$30,075.45	\$65,270.27	\$0.46
225	FIFTH COURT OF APPEALS DISTRICT	0.4	\$35,200.00	\$222,053.78	\$0.16
226	SIXTH COURT OF APPEALS DISTRICT	0.05	\$5,335.15	\$14,591.05	\$0.37
227	SEVENTH COURT OF APPEALS DISTRICT	0.12	\$8,205.70	\$28,158.40	\$0.29
228	EIGHTH COURT OF APPEALS DISTRICT	0.07	\$8,081.70	\$29,584.62	\$0.27
229	NINTH COURT OF APPEALS DISTRICT	0.06	\$7,444.50	\$14,930.18	\$0.50
230	TENTH COURT OF APPEALS DISTRICT	0.13	\$9,194.30	\$27,881.41	\$0.33
231	ELEVENTH COURT OF APPEALS DISTRICT	0.18	\$11,374.38	\$41,250.70	\$0.28
232	TWELFTH COURT OF APPEALS DISTRICT	0.05	\$4,250.00	\$28,459.06	\$0.15
233	THIRTEENTH COURT OF APPEALS DISTRICT	0.11	\$7,123.32	\$12,969.64	\$0.55
234	FOURTEENTH COURT OF APPEALS DISTRICT	0.05	\$3,056.77	\$72,474.51	\$0.04
242	STATE COMMISSION ON JUDICIAL CONDUCT	0.27	\$15,120.00	\$44,163.98	\$0.34
243	STATE LAW LIBRARY	0.3	\$17,565.32	\$302,784.17	\$0.06
300	GOVERNOR'S OFFICE	2.85	\$204,078.10	\$52,222,203.62	\$0.00
302	OFFICE OF THE ATTORNEY GENERAL	70.35	\$4,146,116.60	\$63,745,318.87	\$0.07
303	TEXAS FACILITIES COMMISSION	29.3	\$2,313,256.25	\$66,161,801.07	\$0.03

TABLE 3 (CONTINUED)

AVERAGE NUMBER OF FTES WHO PERFORM PURCHASING AND CONTRACTING

AGENCY	AGENCY NAME	ESTIMATED PROCUREMENT FTES (1)	ALL PROCUREMENT SALARIES (3)	FISCAL 2015 PROCUREMENT EXPENDITURES (4)	PROCUREMENT SALARY COST PER \$1 SPENT
304	COMPTROLLER OF PUBLIC ACCOUNTS (Agency Operations)	12.25	\$1,014,864.30	\$68,207,369.96	\$0.01
304	STATEWIDE PROCUREMENT DIVISION (5)	31.2	\$2,242,539.00	N/A	N/A
305	GENERAL LAND OFFICE AND VETERAN'S LAND BOARD	23.1	\$1,264,917.71	\$323,450,858.61	\$0.00
306	TEXAS STATE LIBRARY AND ARCHIVES COMMISSION	16.56	\$797,497.64	\$14,987,702.70	\$0.05
307	SECRETARY OF STATE	3	\$161,940.00	\$9,265,465.98	\$0.02
308	STATE AUDITOR'S OFFICE	-	-	-	-
312	TEXAS STATE SECURITIES BOARD	1.3	\$55,384.05	\$344,341.03	\$0.16
313	DEPARTMENT OF INFORMATION RESOURCES (Agency Operations)	2	\$144,247.92	\$21,404,133.30	\$0.01
	TECHNOLOGY SOURCING (STATEWIDE CONTRACTS) (5)	31	\$2,506,756.40	N/A	N/A
320	TEXAS WORKFORCE COMMISSION	9	\$475,342.00	\$27,487,988.66	\$0.02
323	TEACHER RETIREMENT SYSTEM	7	\$446,044.54	\$82,926,569.34	\$0.01
326	TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM	1.5	\$71,884.50	\$918,630.44	\$0.08
327	EMPLOYEES RETIREMENT SYSTEM	10	\$719,939.48	\$21,368,639.58	\$0.03
329	TEXAS REAL ESTATE COMMISSION	2.5	\$117,270.00	\$761,977.58	\$0.15
332	TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS	4	\$273,822.56	\$2,245,908.75	\$0.12
338	STATE PENSION REVIEW BOARD	0.2	\$12,908.00	\$75,773.08	\$0.17
347	TEXAS PUBLIC FINANCE AUTHORITY	0.5	\$52,681.80	\$3,632,811.14	\$0.01
352	TEXAS BOND REVIEW BOARD	0.5	\$45,000.00	\$79,828.37	\$0.56
356	TEXAS ETHICS COMMISSION	2.25	\$162,222.31	\$1,852,667.26	\$0.09
359	OFFICE OF PUBLIC INSURANCE COUNSEL	0.11	\$5,861.84	\$57,964.84	\$0.10
360	STATE OFFICE OF ADMINISTRATIVE HEARINGS	0.9	\$54,956.70	\$475,380.58	\$0.12
362	TEXAS LOTTERY COMMISSION	8	\$560,251.56	\$157,366,751.28	\$0.00
364	HEALTH PROFESSIONS COUNCIL	0.2	\$14,000.00	\$454,016.50	\$0.03
401	TEXAS MILITARY DEPARTMENT	12	\$50,656.46	\$47,068,848.79	\$0.00
403	TEXAS VETERANS COMMISSION	1	\$53,100.00	\$1,565,814.05	\$0.03
405	DEPARTMENT OF PUBLIC SAFETY	38	\$2,266,809.76	\$268,685,413.11	\$0.01
407	TEXAS COMMISSION ON LAW ENFORCEMENT	0.61	\$26,807.57	\$396,095.73	\$0.07
409	TEXAS COMMISSION ON JAIL STANDARDS	0.2	\$9,897.50	\$50,077.30	\$0.20
411	TEXAS COMMISSION ON FIRE PROTECTION	1.55	\$72,252.00	\$155,852.46	\$0.46
448	OFFICE OF INJURED EMPLOYEE COUNSEL	1	\$49,377.53	\$248,221.97	\$0.20
450	TEXAS DEPARTMENT OF SAVINGS AND MORTGAGE LENDING	0.58	\$31,042.77	\$179,683.07	\$0.17

TABLE 3 (CONTINUED)

AVERAGE NUMBER OF FTES WHO PERFORM PURCHASING AND CONTRACTING

AGENCY	AGENCY NAME	ESTIMATED PROCUREMENT FTES (1)	ALL PROCUREMENT SALARIES (3)	FISCAL 2015 PROCUREMENT EXPENDITURES (4)	PROCUREMENT SALARY COST PER \$1 SPENT
451	TEXAS DEPARTMENT OF BANKING	2.1	\$139,712.83	\$905,083.03	\$0.15
452	TEXAS DEPARTMENT OF LICENSING AND REGULATION	5.3	\$287,882.48	\$1,903,103.68	\$0.15
454	TEXAS DEPARTMENT OF INSURANCE	9	\$444,397.75	\$14,388,511.46	\$0.03
455	TEXAS RAILROAD COMMISSION	6.9	\$465,911.61	\$33,271,234.84	\$0.01
456	TEXAS BOARD OF PLUMBING EXAMINERS	1	\$34,332.00	\$371,837.41	\$0.09
457	TEXAS BOARD OF PUBLIC ACCOUNTANCY	0.4	\$20,254.00	\$595,698.45	\$0.03
458	TEXAS ALCOHOLIC BEVERAGE COMMISSION	4	\$192,500.83	\$5,931,155.67	\$0.03
459	TEXAS BOARD OF ARCHITECTURAL EXAMINERS	0.1	\$9,000.00	\$116,012.16	\$0.08
460	TEXAS BOARD OF PROFESSIONAL ENGINEERS	0.8	\$47,928.00	\$312,852.04	\$0.15
464	TEXAS BOARD OF PROFESSIONAL LAND SURVEYING	0.1	\$3,358.20	\$29,165.94	\$0.12
466	OFFICE OF CONSUMER CREDIT COMMISSIONER	0.41	\$29,178.61	\$848,576.86	\$0.03
469	CREDIT UNION DEPARTMENT	0.5	\$44,706.60	\$214,836.00	\$0.21
473	PUBLIC UTILITY COMMISSION OF TEXAS	1.3	\$81,150.10	\$4,627,645.32	\$0.02
475	OFFICE OF PUBLIC UTILITY COUNSEL	1.25	\$92,376.33	\$471,327.74	\$0.20
476	TEXAS RACING COMMISSION	2.65	\$132,527.13	\$440,942.81	\$0.30
477	COMMISSION ON STATE EMERGENCY COMMUNICATION	2.25	\$142,026.90	\$4,288,511.15	\$0.03
479	STATE OFFICE OF RISK MANAGEMENT	22	\$1,345,389.00	\$2,966,247.89	\$0.45
481	TEXAS BOARD OF PROFESSIONAL GEOSCIENTISTS	0.1	\$6,811.00	\$107,371.22	\$0.06
503	TEXAS BOARD OF MEDICAL EXAMINERS	1.8	\$89,249.26	\$2,141,732.83	\$0.04
504	TEXAS BOARD OF DENTAL EXAMINERS	0.15	\$5,685.00	\$644,207.20	\$0.01
507	TEXAS BOARD OF NURSE EXAMINERS	1	\$53,696.64	\$3,615,456.74	\$0.01
508	TEXAS BOARD OF CHIROPRACTIC EXAMINERS	0.13	\$5,363.16	\$62,598.94	\$0.09
512	TEXAS STATE BOARD OF PODIATRIC MEDICAL EXAMINERS	0.02	\$1,587.56	\$34,868.38	\$0.05
513	TEXAS FUNERAL SERVICE COMMISSION	0.01	\$534.99	\$111,982.83	\$0.00
514	TEXAS OPTOMETRY BOARD	0.05	\$1,009.95	\$55,083.39	\$0.02
515	TEXAS BOARD OF PHARMACY	1.1	\$53,829.56	\$997,882.70	\$0.05
520	TEXAS BOARD OF EXAMINERS OF PSYCHOLOGISTS	0.06	\$5,080.95	\$67,278.99	\$0.08
529	TEXAS HEALTH AND HUMAN SERVICES COMMISSION	145.47	\$8,668,383.75	\$959,961,320.62	\$0.01
530	TEXAS DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES	57.68	\$2,792,431.79	\$151,547,038.53	\$0.02
533	TEXAS EXECUTIVE COUNCIL OF PHYSICAL THERAPY & OCCUPATION	1.1	\$63,042.00	\$49,227.28	\$1.28
537	TEXAS DEPARTMENT OF STATE HEALTH SERVICES	13.65	\$776,976.79	\$467,500,936.13	\$0.00
538	TEXAS DEPARTMENT OF ASSISTIVE AND REHABILITATIVE SERVICE	21.9	\$1,421,719.63	\$44,969,715.76	\$0.03

TABLE 3 (CONTINUED)
 AVERAGE NUMBER OF FTES WHO PERFORM PURCHASING AND CONTRACTING

AGENCY	AGENCY NAME	ESTIMATED PROCUREMENT FTES (1)	ALL PROCUREMENT SALARIES (3)	FISCAL 2015 PROCUREMENT EXPENDITURES (4)	PROCUREMENT SALARY COST PER \$1 SPENT
539	TEXAS DEPARTMENT OF AGING AND DISABILITY SERVICES	54.58	\$2,583,422.04	\$248,272,178.92	\$0.01
542	CANCER PREVENTION AND RESEARCH INSTITUTE OF TEXAS	1.3	\$96,547.22	\$13,063,804.21	\$0.01
551	TEXAS DEPARTMENT OF AGRICULTURE	2	\$126,653.00	\$10,873,852.69	\$0.01
554	TEXAS ANIMAL HEALTH COMMISSION	2	\$95,208.36	\$2,165,406.84	\$0.04
578	TEXAS BOARD OF VETERINARY MEDICAL EXAMINERS	0.5	\$19,650.00	\$86,133.93	\$0.23
580	TEXAS WATER DEVELOPMENT BOARD	8	\$497,673.96	\$7,412,847.46	\$0.07
582	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	14	\$633,234.97	\$87,977,250.81	\$0.01
592	TEXAS SOIL AND WATER CONSERVATION BOARD	0.8	\$35,916.00	\$5,061,625.39	\$0.01
601	TEXAS DEPARTMENT OF TRANSPORTATION	279.74	\$18,266,905.70	\$6,661,770,426.70	\$0.00
608	TEXAS DEPARTMENT OF MOTOR VEHICLES	6	\$319,819.00	\$58,764,314.95	\$0.01
644	TEXAS JUVENILE JUSTICE DEPARTMENT	15.5	\$722,471.43	\$25,222,696.55	\$0.03
696	TEXAS DEPARTMENT OF CRIMINAL JUSTICE	106.98	\$4,024,048.58	\$762,343,765.61	\$0.01
701	TEXAS EDUCATION AGENCY	9.5	\$415,003.50	\$164,336,075.62	\$0.00
802	TEXAS PARKS AND WILDLIFE DEPARTMENT	40.5	\$2,128,900.05	\$86,162,095.95	\$0.02
808	TEXAS HISTORICAL COMMISSION	4	\$214,345.15	\$13,122,960.56	\$0.02
809	STATE PRESERVATION BOARD	1.3	\$78,362.22	\$11,513,472.86	\$0.01
813	TEXAS COMMISSION ON THE ARTS	0.3	\$15,510.52	\$114,971.68	\$0.13
TOTAL		1,178	\$68,317,459.54	\$11,100,562,005.51	\$0.01

FOOTNOTES

1. FTE calculated based on agency estimates of employee time spent on purchasing and contracting.
2. Agency did not respond to the SB 20 study questionnaire.
3. FTE salary calculated based on salary cost reported by agencies. Total salary costs and FTE totals calculated from employee data supplied by Texas Comptroller of Public Accounts.
4. Transaction totals reported in USAS.
5. Agency 304 SPD and Agency 313 Technology Sourcing Office procure statewide contracts for non-IT and IT commodities and services. These statewide contracts had an estimated value of \$2.5 billion in fiscal 2015 — this doesn't include expenditures by higher education, local governments or other State of Texas Cooperative Purchasing Program (CO-OP) members.

Sources: Questionnaire responses supplied by participating state agencies (April-May 2016), Texas Comptroller of Public Accounts/RSM

BACKGROUND

Before considering the question of consolidating state purchasing functions into fewer state agencies or one state agency, it is important to first define the landscape of state purchasing as it exists today in Texas state government.

Contracting is the process of entering into a formal agreement for goods and/or the delivery of services. The contracting process typically involves analyzing requirements, evaluating possible vendors, negotiating contracts to select a vendor and managing the resulting vendor contract.

Purchasing is the process of acquiring goods and services under a preexisting contract or using delegated authority to buy items not on contract. The purchasing process broadly includes steps from issuing the purchase order through receipt of ordered goods and services.

It is important to differentiate these processes. Although in many smaller agencies there is opportunity and necessity for the same personnel to perform both contracting and purchasing,

often this is neither desirable or practical in obtaining best value propositions. State law requires agencies be good stewards of public funds. With that in mind, best value means state employees engaged in contracting and purchasing must not overpay for goods and services. Correspondingly, best value does not mean automatically selecting the lowest bidder. It must be established that the lowest bid vendor would not supply inferior quality commodities that would need to be prematurely replaced or that the vendor is a reliable service provider. Best value should extend over the useful lifetime of the commodity or service.

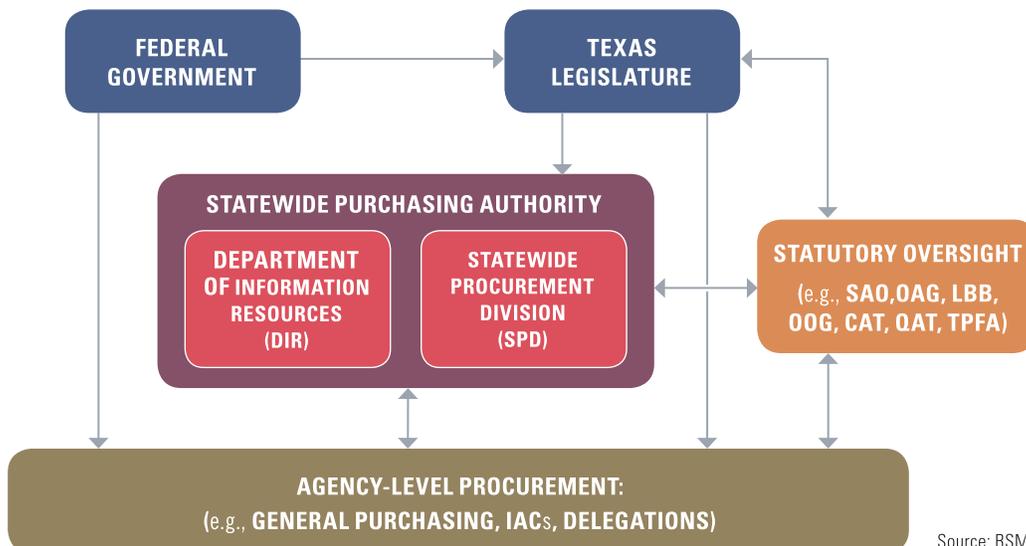
THE CURRENT STRUCTURE OF TEXAS STATE PURCHASING

In the current structure (Figure 1), the Texas Legislature appropriates funds for operating Texas government. The federal government also appropriates funds and provides grant money, the conditions of which affect certain procurements in Texas.

FIGURE 1

TEXAS STATE PURCHASING CURRENT STRUCTURE

An illustration of the current structure of State of Texas purchasing authority



Source: RSM

State and federal laws provide additional parameters for procurement, and certain state law outlines purchasing authority.

Today's agencies with centralized authority employ similar procurement methods under separate authorities. Delegated authority exists to establish contracts for purchases of commonly used goods and services by state agencies and local governments, as well as for professional and consulting services. Certain types of purchases require statutory approval, review and reporting.

Agencies conduct general purchasing through established state-wide contracts. The State of Texas allows for various exemptions and delegated authority to agencies for the procurement of goods and services. SPD supports the state by developing, issuing and managing certain term contracts. These are both new contracts developed on behalf of and at the request of state agencies that can be used by the state and local governments, and Texas Multiple Award Schedules (TXMAS) contracts that leverage existing government contracts, usually the federal General Services Agency, and ensure state vendor requirements are met. SPD also provides procurement assistance and guidance to agencies in a largely decentralized purchasing system. The guidance is based on best practices outlined in the State of Texas Procurement Manual and the Contract Management Guide (CMG). These documents guide agencies in their procurement and contract management processes.

In the current structure, decentralization is necessary to support delegated procurement authority. Currently, Texas lacks a single entity of procurement accountability. This decentralized structure limits the Comptroller's ability to mandate agencies to follow the best practices outlined in the Texas Procurement Manual and CMG as required in statute, including:

- Ensuring consistency in procurement practices among state agencies.
- Ensuring the fair and equitable treatment of everyone who deals with Texas procurement processes and systems.
- Providing increased economy in state procurement activities; maximizing the purchasing value of public funds; obtaining in a cost-effective and responsive manner the commodities and services required by state agencies in order for those agencies to better serve Texas's taxpayers.
- Safeguarding quality and integrity in Texas public procurement.

PROCUREMENT AUTHORITY

The procurement authority associated with both nondelegated and delegated purchases is detailed in the State of Texas Procurement Manual. It is important to note that research indicates that the majority of organizations operate under an authority and organizational structure which consists of a mixture of centralized and decentralized systems.

THE EXISTING STATE OF CENTRALIZATION

The most recent major reorganization in Texas' centralized purchasing came in 2007, when the autonomous Texas Building and Procurement Commission (TBPC) was dissolved and non-information technology (IT) goods and commodities procurement was reassigned to the Comptroller's office. (The Texas Facilities Commission (TFC) was also established to continue the state property management function of TBPC.) Prior to that, in the late 1990s, IT and telecommunications contracting was designated to DIR. These agencies operate under purchasing statutes outlined in the Texas Government Code Chapters 2155, 2156, 2157 and 2158, which require agencies to work through the centralized agencies for specific types of purchasing and delegate certain purchasing to agencies. Government Code Section 2155.074 also specifies that all state agencies shall obtain best value using a range of factors, including price, quality, vendor performance and economic impact of the award to the state.

MOST RECENT SUNSET REPORT RECOMMENDED AGAINST MERGING SPD AND DIR

In 2013, the Texas Sunset Commission examined the question of whether DIR and SPD (then TPASS) should be merged into a centralized purchasing program at the Comptroller's office.

"Considering that the State has gone through a 20-year period of back-and-forth organizational shifts from centralizing state administrative support services within a single agency to the more decentralized structure that exists today, the Sunset Commission ultimately concluded that further shuffling the placement of these functions would likely create more risk than benefit at this time. However, more formal coordination between DIR and the Division [TPASS] regarding the State's two procurement programs is needed to ensure ongoing collaboration and collection of comparable data for future decision making."

Sunset Report to the 83rd Legislature

A BILATERAL APPROACH TO CENTRALIZED PURCHASING

**STATEWIDE PROCUREMENT DIVISION
(Comptroller of Public Accounts)**

The Comptroller’s Statewide Procurement Division (SPD) connects vendors with state purchasers and contract opportunities, and helps state and local government entities procure non-IT goods and services through easily accessible contracts established to meet their needs. SPD also reviews delegated spending requests and high-dollar delegated contracts for compliance. Contracts developed by the Council for Competitive Government (CCG) are managed by staff in SPD and Statewide Support Services Division; CCG is administered through SPD.

The TxSmartBuy e-procurement system provides an online catalog for contracted vendors’ goods and services for reference and ordering by state and local government purchasers. SPD also manages and monitors thousands of state contracts to ensure compliance, and provides training for state purchasers and contract managers.

**DEPARTMENT OF INFORMATION
RESOURCES**

The Department of Information Resources (DIR) offers IT contracts and services that comply with state purchasing requirements and eliminate the need for a lengthy procurement process by individual state agencies.

Vendors are selected that can provide expertise to the agencies and meet the specifications laid out in the contracts. DIR’s online search helps purchasers find contracted vendors that can provide the types of IT service or commodity that they require.

As the agencies designated to provide centralized procurement functions for the state, SPD’s and DIR’s roles are to provide best value contracts available to other state agencies, institutions of higher education, and local government and other cooperative purchasing entities (Table 4.) As such, SPD and DIR purchase little or nothing from the contracts they establish.

TABLE 4

VALUE OF STATE AGENCY CENTRALIZED EXPENDITURES FISCAL 2015

The value of state agency expenditures on centralized contracts established by SPD and DIR. This does not include expenditures by public universities and colleges or local governments.

		PERCENTAGE OF ALL EXPENDITURES
SPD Contracts*	\$1,738,710,523.65	15.64%
DIR Contracts/Services	\$763,768,392.30	6.87%
All Expenditures	\$11,117,275,755.37	

* Includes TxSmartBuy, CCG, Other Managed, Travel
Source: Texas Comptroller of Public Accounts, RSM.

Sunset’s findings centered on two issues: better working and sharing of information between DIR and SPD, and reforming the administrative fees charged by DIR for service. Since the Sunset Review, DIR and SPD have established a joint committee that reports biennially to the Legislature on contracting issues of mutual interest.

Major differences remain in how the contracts the two agencies procure may be used by their state agency customers. Most of SPD’s commodities may be purchased through the TxSmartBuy e-procurement system. DIR’s contract catalog provides access to vendors and establishes price lists, but purchases occur between agency and vendor, with purchasing data reported after the sale. This means that DIR does not have

access to real-time, verifiable data to assess the effectiveness and use of its contracts.

Significantly, though, the Comptroller’s SB 20 study questionnaire results show substantial duplication of effort from 58 percent of the surveyed agencies that tailor purchasing and contracting to their specific contracting and purchasing policies, in addition to the state purchasing and contracting policies (RSM report, Figure 11).

For agencies with many personnel, and complex purchasing and contracting operations funded by a variety of sources, there is merit in agency-specific policies, as long as they align with the state training and rules.

DECENTRALIZED CONSOLIDATION

As the various articles of the state budget demonstrate, the functions (and agencies) of government are organized through a variety of specialized areas. In terms of expenditures on the commodities and services considered in the scope of this study, transportation (mainly highway construction) and health and human services are the largest groups.

Statute and rules provide authority and exemptions for delegated contracting and purchasing for a significant amount of expenditures by TxDOT and the Health and Human Services agencies (five during the fiscal 2014-2015 study years merged to three by the end of the fiscal 2016-2017 biennium).

Substantial delegated purchases in the specialty areas outside the centralized SPD and DIR contracts are consolidated in these functional agencies; it should be noted though, that TxDOT is also the largest customer for SPD contracts, while HHS agencies do not place most of their orders from statewide office supplies contracts using TxSmartBuy; this exception to using TxSmartBuy limits the transparency of expenditures on items on these contracts, because the Comptroller's office relies on the vendors to submit offline sales reports. This limited transparency could result in purchases of items not allowed under contract, or purchases of items that should be purchased through set-aside contracts for office supplies.

BENCHMARKING THE COST OF STATE PURCHASING

There are two primary elements used to determine how much agencies spend on purchasing:

1. *The annual expenditures on goods and services can be determined fairly accurately by examining agency financial transactions in a given fiscal year documented in the Uniform State Accounting System (USAS) or the successor Centralized Accounting and Payroll/Personnel System (CAPPS). Of course, some purchases span multiple fiscal years, but invariably those are complex projects that are unlikely to be undertaken using state-wide contracts.*
2. *The costs of an agency's efforts required to purchase commodities and services comprise a more complex undertaking because of the vast differences in agency size, budgets and expenditures. State agencies are required to follow the rules of state purchasing, but each has its own mission, structure and needs – there is no cookie-cutter state purchasing department that makes*

evaluating the cost of purchasing a straightforward process. The Comptroller's project manager worked with RSM to develop a questionnaire that could be sent to all 108 agencies in the study scope to gather data on agency purchasing and contracting personnel, including size of purchasing and contracting staff, salary costs, number of contracts developed, value of the contracts and types of vendors each agency engaged. The questionnaire is included in RSM Appendix B. By the end of the four-week data collection period in April-May 2016, 101 agencies responded — the seven that did not submit a questionnaire response accounted for less than 0.1 percent of the total expenditures and likely have a small purchasing staff.

COMMODITIES AND SERVICES EXPENDITURES

State agencies are currently undergoing a multi-year transition from the legacy USAS system to the CAPPS system, which will offer a great deal more insight into state expenditures when fully implemented. Because USAS is essentially a ledger of agency financial transactions — not exclusively those related to purchasing commodities and services — that has been in operation for decades, there are limitations in how detailed a picture of agency spending can be gleaned. The 104 object codes determined to cover the transactions for type of spending being studied totaled about 4 million lines of data for the 108 in-scope agencies in most recently completed fiscal years 2014 and 2015. The value of these transactions totaled \$11 billion and \$11.1 billion per year, respectively.

Looking at the \$11.1 billion in identified expenditures in fiscal 2015, RSM established five expenditure tiers to group agencies with similar expenditures (Table 5).

This provided an opportunity to compare the reported personnel data with agencies based on comparable expenditures related to purchasing or contracting activities, and consider what degree of similarity exists among agencies of all sizes and expenditures. The purchasing activities relate to the expenditures through existing statewide contracts or expenditures that are delegated to agencies by statute or rule, most often because the value falls beneath the threshold to seek a competitive procurement. Contracting activities are generally more complex and exceed the allowed threshold for informal purchasing, or are for products that can't be sourced on existing statewide contracts from SPD or DIR.

TABLE 5
AGENCY TRANSACTIONS BY EXPENDITURE TIER

A breakdown of the number of agencies, transactions and expenditure values in fiscal 2015 for the 108 in-scope agencies in the SB 20 study.

AGENCY EXPENDITURE TIER (FISCAL 2015)	\$0-\$99,999	\$100,000-\$999,999	\$1,000,000-\$9,999,999	\$10,000,000-\$99,999,999	OVER \$100 MILLION
NUMBER OF AGENCIES	29	27	21	21	10
TRANSACTIONS	3,179	11,476.00	27,964	196,459.00	578,177.00
EXPENDITURES	\$1,465,453	\$11,137,337	\$74,298,740	\$864,910,487	\$10,165,234,765
PERCENTAGE OF EXPENDITURES	0.01%	0.10%	0.67%	7.78%	91.44%

Source: Texas Comptroller of Public Accounts, RSM.

CONTRACTING AND PURCHASING STAFF

The overall count of staff involved in contracting, purchasing or both activities for agencies examined was 1,690. A typical agency’s staff will increase in relation to agency spending. However, there were agencies across all expenditure tiers operating on a few resources or fractions of FTEs (Figure 2).

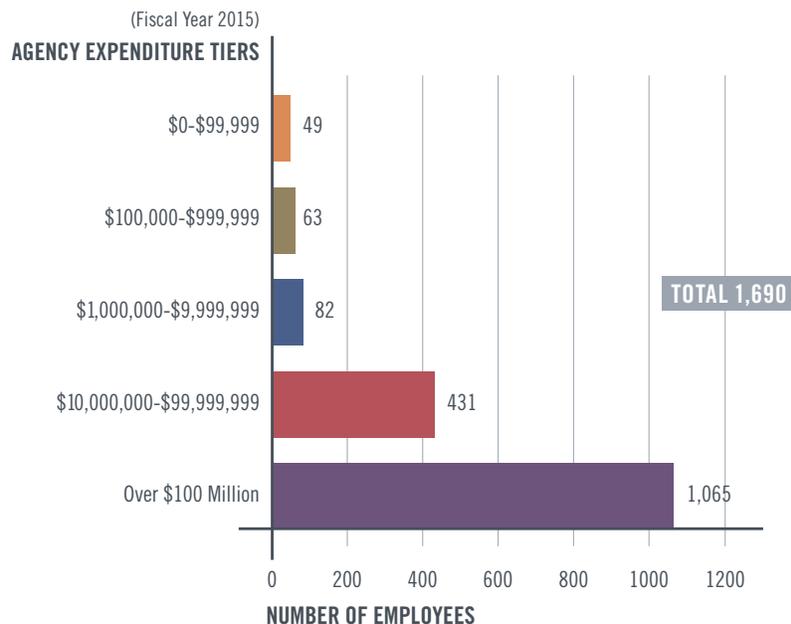
In questionnaire responses, agencies reported the percentage of time staff members spend on purchasing and contracting, which was used to calculate the number of FTEs. Of the 101 agencies that responded, 44 have them have fewer than one FTE performing purchasing and contracting.

On the opposite end of the spectrum, TxDOT, the combined HHS agencies and Texas Department of Criminal Justice (TDCJ) have significantly more purchasers than either of the two centralized purchasing entities (SPD and DIR). Because more than half of expenditures on SPD’s contracts are purchases by TxDOT and TDCJ, these agencies would potentially have to expand contracting staff if Texas ever opted to become a more decentralized purchasing state. (Because SPD and DIR contracts are usually used by multiple entities, they represent avoidance of significant duplication of effort among state agencies, and the institutions of higher education and/or local government CO-OP.)

FIGURE 2

PURCHASING AND CONTRACTING STAFF BY EXPENDITURE TIER

The total number of staff involved in purchasing and contracting as some or all of their job function, reported by agencies in each expenditure tier. (Data exclude seven agencies that did not respond to the SB 20 study questionnaire.)



Sources: State of Texas Agencies, RSM.

AGENCY STAFF COSTS AND PURCHASING EFFICIENCY

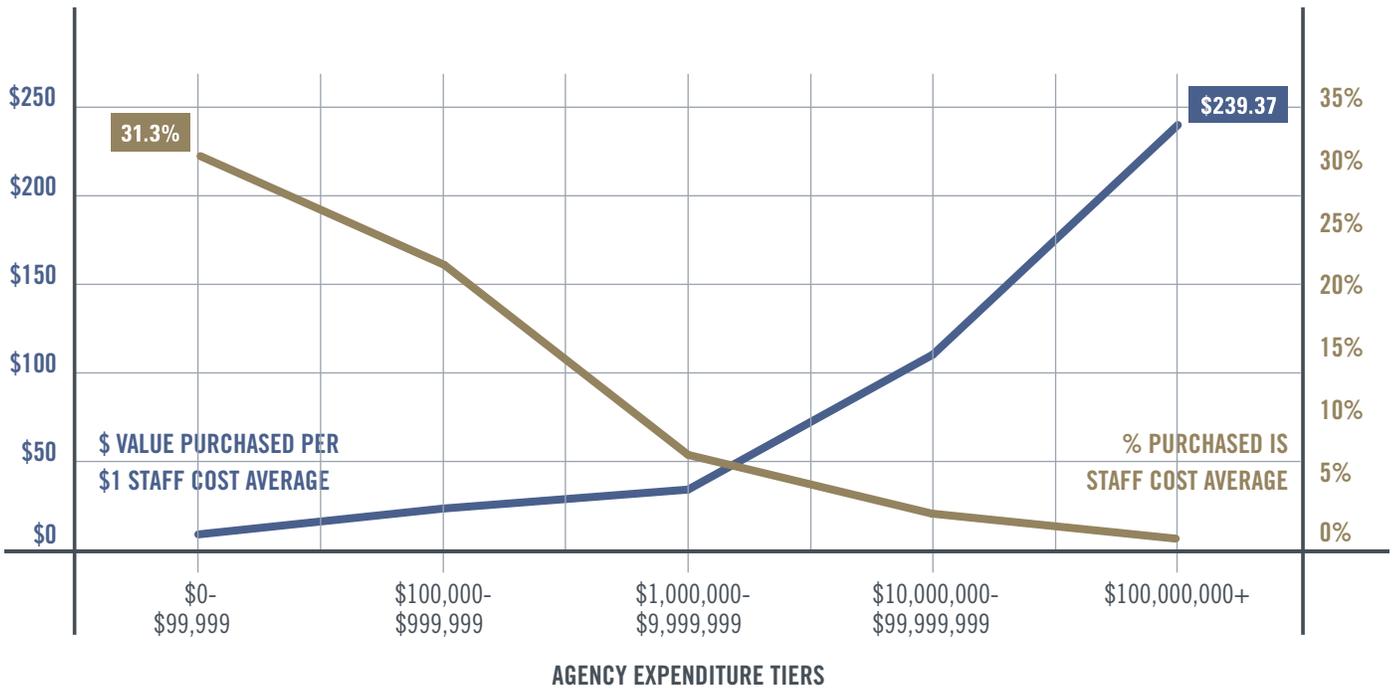
Based on the agency-reported salary data and staffing, RSM found that staff costs associated with supporting contracting and purchasing activities are a key element and basis for measuring purchasing efficiency. Figure 3 indicates that the staff costs vary greatly by agency spend category. Agencies in

smaller spend categories have significantly higher staff costs as a percentage of purchase. In the \$0-\$100,000 expenditure tier, staff costs add an average of 31 percent increase to each purchase. Comparatively, in the over-\$100 million spend category, staff costs add an average of only 0.7 percent increase to each purchase.

FIGURE 3

AVERAGE PURCHASING AND CONTRACTING PERSONNEL COSTS BY EXPENDITURE TIER (FISCAL 2015)

Purchasing and contracting personnel costs for purchasing among low-spending agencies are significantly higher relative to expenditures than at higher spending agencies.



Sources: State of Texas Agencies, RSM.

STATE PURCHASING FUTURE SCENARIOS

The Comptroller's approach to this study focused on the statutory charge of examining the feasibility and practicality of consolidating state purchasing functions. Using those elements as the two-part test for any recommendations that would emerge from this study, the result of change is an improved function that creates better value for taxpayers, including more efficient and transparent state purchasing and contracting operations. Any other outcome would point to consolidation being not practical and/or not feasible.

These 108 agencies' combined expenditures identified for the study totaled slightly more than \$11.1 billion in fiscal 2015. In no way could this be considered a small amount of money, but in terms of the overall state budget, it accounts for a relatively small amount of the \$100-billion-plus annual state enterprise.

In spring 2016, the Comptroller's office sent the 108 SB 20 study agencies a questionnaire developed with RSM US LLP that aimed to provide insight at a high level into the personnel engaged in agency purchasing, the extent of their internal documentation and rules, and perception of their own performance and of the statewide training available. (See Appendix A to see the questionnaire, methodology and analysis.)

By and large, agencies demonstrated willingness to complete the request as promptly and fully as possible. Within four weeks, responses were collected from 101 agencies. Of the agencies that submitted data, some admitted challenges with attributing the percentage of time allocated to purchasing and/or contracting for staff who do not perform these tasks on a full-time basis.

ADDRESSING THE STUDY REQUIREMENTS

In real terms, how do these staff costs potentially offer opportunities for savings?

As noted previously, for some agencies it was difficult to fully determine the FTE count of purchasing and contracting activities when one or several individuals each had a limited role in purchasing or contracting. There are many instances across the agencies where purchasing or contracting work is conducted by personnel whose titles don't contain "purchaser" or "contract," and this is not confined to small agencies.

One of the most difficult to gauge was the five Health and Human Services agencies where procurement activities have been centralized to HHSC with some staff still embedded in the agencies. The combined response noted 465 employees that equated to 293 FTEs. This doesn't appear to fully capture the extent of employees responsible for contract management. In August 2016, the House State Affairs Committee was told that the HHS agencies have 1,400 contract managers — for many, their title (and much of their work) relates to their primary role, typically a healthcare provider.¹ It is not possible from these data to determine how many additional FTEs this equates to, although the Comptroller's purchasing and contracting certification records list 972 employees of the five HHS agencies with one or more state-issued contracting or purchasing certifications.² The HHS questionnaire response lists 268 personnel with contract manager (CTCM) certification, while the Comptroller's records list 860 CTCMs active among those agencies.

This HHS observation suggests that the later part of the contracting life cycle — contract management — is distributed throughout each agency, managed by the departments for whom it was procured. If centralizing procurement is viewed to be efficient in the contract development process, then rationally,

1 Ron Pigott, HHSC Deputy Executive Commissioner for Procurement and Contracting, State Affairs Testimony 8/15/16

2 April 2016 CTP, CTPM, CTCM active certifications list - Texas Comptroller of Public Accounts

contract management for agency-specific needs would be most effective in the field — if the subject matter experts are properly trained to consistently provide agency- and statewide management and oversight, and accurate reporting to inform future renewals or developments of future contracts.

Further centralization among state agencies with purchasing and contracting resources that are a fraction of an FTE (often duties shared among multiple staff) is unlikely to result in significant personnel savings. In the \$0-\$100,000 expenditures tier, the 24 agencies’ combined purchasing and contracting staff costs are less than \$575,000. So while it could be argued that the 31 percent cost of expenditure should be squeezed to get closer to the 0.7 percent cost per \$1 spent in the \$100 million or higher tier, eliminating part of an employee’s responsibilities may not result in the ability to eliminate a position within that agency that would realize meaningful savings.

THE SPECTRUM OF SPENDING

Looking at the state expenditures in an even more granular way, the 108 state agencies can be grouped by expenditures (Table 6.) More than 90 percent of state expenditures (\$10.2 billion) comes from transactions by 10 agencies. TxDOT alone accounts for more than half of state purchases (\$6.7 billion).

For the bottom expenditure tier, the average transaction size is \$587, and for the next tier, it is \$1,318 – both far below the delegated expenditure threshold for items not already on contract.

These transaction averages were calculated from each agency’s entries in USAS, which classifies expenditures under general object codes but doesn’t include precise information on purchases. Some additional data on purchases may be entered

into the CAPPs system, but until all of the in-scope agencies have migrated to CAPPs in several years, there will remain significant obstacles to analyzing agency expenditures to the degree needed to calculate significant efficiencies. Efficiencies will be determined either by requiring these purchases to be made by a centralized purchaser as one-time buys or by establishing a statewide contract. As agencies move to CAPPs, SPD is developing reporting with the Comptroller’s Fiscal Management CAPPs deployment team that will offer previously unavailable insight and transparency into agency purchases and contracting. DIR will have a similar opportunity to examine state agency spending.

RSM: PROCUREMENT PROCEDURES KEY TO EFFICIENT PURCHASING

It is likely that the small percentage of staff time associated with contracting and purchasing activities in agencies in smaller spend categories directly contributes to the lower efficiencies seen across these categories. There is often a direct relationship between the frequency a task is performed and their efficiency in performing the task.

It is important to note that purchasing efficiency has many factors, including frequency of task execution, organizational structure and purchasing processes. Our experience has shown that procurement processes are often the greatest inhibitor of efficiency.

It is likely that agencies in the larger spend categories and significantly high numbers of dedicated staff have more defined procurement processes and centralized structures. — RSM US LLP

TABLE 6

TEXAS AGENCY EXPENDITURE STRATA FOR FISCAL 2015

AGENCY EXPENDITURE TIER (FISCAL 2015)	NO. OF AGENCIES	2015 EXPENDITURES		2015 TRANSACTIONS		AVG. TRANSACTION SIZE
\$0-\$99,999	29	\$1,465,453	0%	3,179	0%	\$587.25
\$100,000-\$999,999	27	\$11,137,337	0%	11,476	1%	\$1,317.62
\$1,000,000-\$9,999,999	21	\$74,298,740	1%	27,963	3%	\$5,014.76
\$10,000,000-\$99,999,999	21	\$864,910,487	8%	196,459	24%	\$10,375.36
Over \$100 million	10	\$10,165,234,765	91%	578,177	71%	\$23,518.64

Source: Texas Comptroller of Public Accounts, RSM

While it would be possible to divert some of this small-agency purchasing (and contracting) to a centralized organization to conduct specific purchases, would it be feasible or practical to do this and reduce workforce in those agencies? The answer might differ by agency, depending on factors such as volume and complexity of contracts and transactions, agency staffing and salaries, availability of the commodities or services on existing managed contracts, or capacity to establish future managed contracts. Additionally, statute states “To the extent possible, the commission (SPD) shall focus its efforts . . . on purchases and contracts that involve relatively large amounts of money.” Government Code Section 2155.002.

Similarly, would it be feasible or practical to merge existing purchasing and contracting operations among larger operations; for example, highway construction contracting and health and human services professional services? Subject matter expertise is unquestionably a significant driver of effective contracting in highly specialized areas, so proximity of these contract developers to users who are the state’s subject matter experts in a consolidated center of excellence inherently would lead to greater efficiency, rather than centralizing those contract developers in a single agency.

Benefit could occur, however, by leveraging this knowledge by improved sharing of contracts. Prior to SB 20, there was no requirement — or repository — of contracts entered into by state agencies. Beginning in 2015, agencies are required to post contracts in a searchable directory on the Legislative Budget Board’s website. Although this directory increases transparency into the contracting process, from a procurement perspective, it does not markedly enhance the state’s contracting efficiency unless agencies voluntarily look for contracting examples prior to publishing solicitations.

SCOPE FOR EXPANDED STATEWIDE CONTRACTING

Finding savings and efficiencies is a practical goal. The relatively small percentage of total expenditures conducted through statewide contracts is a more practical target for achieving consolidation and savings. Any purchases not currently conducted on statewide contracts come from exemptions and delegations — either statutory or granted by SPD.

Delegations are allowed for any agency if the purchase is less than \$25,000, and SPD proposed in November 2016 to increase this threshold to \$50,000 — the first increase in the delegation

threshold since 2004. In real terms, for example, a piece of specialty agricultural equipment purchased a decade ago for \$18,000-\$20,000 for a regional park, and that is unlikely to be needed by any other state agency, due to inflation may exceed \$25,000 now, and would need to go through a review process by SPD, adding time and cost to the purchase.

OPPORTUNITIES TO ENHANCE AGENCY EFFICIENCY

Agencies should consider — especially when the delegated threshold rule increases to \$50,000 — whether a procurement delegated by statute or rule would be more efficiently procured by SPD.

In RSM’s review of Texas state purchasing, it recommended a full life cycle e-procurement system as the best practice solution for states. However, based on SPD personnel’s discussions with procurement personnel from other states during the National Association of State Procurement Officials (NASPO) fall 2016 meeting, it seems that no state has deployed a truly effective full life cycle e-procurement system; in fact, Texas’ online solution for non-IT contracts, TxSmartBuy, is considered to be among the most robust, but it is an ordering system only.

EXISTING RULES FOR DELEGATION

Most state agency purchasing follows this rule of thumb: if an agency can buy a commodity or service on an existing statewide contract from SPD or DIR, it must use that contract or submit its own specifications to SPD to procure the commodity or services and establish a new contract.

Some exceptions are authorized by statute (Government Code 2155) and rule (Texas Administrative Code 20:41): since December 2016, commodity purchases valued at less than \$50,000, perishable goods of any value, emergency purchases and fuels are automatically delegated to the agency. For services, the delegation threshold is anything less than \$100,000. Agencies must obtain at least three competitive bids if the purchase is expected to exceed \$5,000.

If the purchase threshold is higher than the automatic delegation, SPD may consider an agency’s purchase request and determine that it would be best conducted by the agency and delegate authority back to the agency.

Payments from each agency (or CO-OP members) using a state-wide contract are processed directly by the vendor. As such, there has been no cause to fully implement online payment processing nor add credit card processing capability. If SPD were to include payment processing, under current statute the service to process potentially millions of dollars of transactions could not be competitively bid without DIR approval; SPD would have to use the sole approved vendor for card processing that was selected under the Texas Online (Texas.Gov) DIR contract that will expire in 2018.

ACCURATE DATA — AND ANALYSIS — NECESSARY FOR SMART CONTRACTING

The purpose of SPD review is to ensure that available statewide contracts are being used by agencies, or if a new contract should be established to leverage a larger multi-agency pool of dollars for best pricing. SPD also can prevent duplicative contracting by agencies.

A significant benefit of the SB 20 study was the opportunity to perform a broad analysis of state agencies' expenditure data. Because these data are sourced from the state's legacy accounting systems that are not designed for purchasing and contracting analysis, this analysis detailed the shortcomings that make determining future centralized contracting decisions difficult.

As agencies provide more detailed reporting into the CAPPs system, there will be opportunity for more precise expenditure analysis. The volume of data and decentralized nature of Texas purchasing means many people from across state agencies are entering data, opening up the risk of improper coding either in error or expediency.

The value of accurate data reporting is crucial in determining if consolidating purchasing is to be appropriate. Without accurate data allowing SPD and DIR to see what agencies are spending both on and off statewide contracts, the centralized agencies cannot reasonably expect to find duplication in agency purchasing and contracting that can be leveraged to develop new statewide contracts. The challenges encountered by RSM during the SB 20 study demonstrate that improved data reporting is necessary. Careful reporting by agencies opens the door for better analysis by SPD and DIR as delegation requests are reviewed and statewide contracting opportunities are evaluated.

COULD CONSOLIDATION PRODUCE SAVINGS?

Without an agency-by-agency comparison of purchase orders, it is not possible to say how or if the small sums of money in the average transaction of the 56 agencies with annual expenditures of less than \$1 million could be combined to equal large sums of money. The USAS data available to the SB 20 study do not provide detail on agency purchase orders.

There are a couple of basic premises of effective purchasing to consider. If only one or two agencies are conducting a procurement or executing a purchase — of any value — it is unlikely that anyone outside that agency or agencies would have a significantly better or even similar understanding of the commodity or service being purchased. The "specialized" nature of that product among all state agency purchases means that an SPD purchaser is unlikely to have a greater expectation of the end users' needs than the purchasing agency's own purchaser.

Similarly, moving a single agency procurement from the end user to SPD is simply relocating the contracting portion, but the expertise of drafting specifications will still lie with the end user agency. Could there be savings? If there is sufficient contract value and expedited contracting time, savings could potentially be achieved by SPD from bringing negotiation and contract development expertise to the table — but these savings could be balanced or even outweighed by the costs of involving both SPD and the end user agency in the process.

SPD delegates contracts primarily because of an expectation that there is no evident widespread need or volume expenditure by multiple agencies, or because a potentially high-dollar contract is for a commodity or service so specialized that the end user's agency is best-positioned to develop the contract. Economies of scale would not really be effected unless another agency (or other entity) also discovers a use for the contract. The implementation of CAPPs statewide potentially could provide improved data analysis opportunities because of more precise financial reporting, gathering transactions within a single purchase order entry that links to contract documents, and reducing the number of records compared to the ledger transactions in USAS. This is predicated on agencies carefully and accurately entering contracting and purchase order data.

DOES VENDOR CONSOLIDATION BENEFIT STATE PURCHASING?

It sounds counterintuitive — or even anti-competitive — to suggest that reducing vendors authorized to contract with the state will better leverage the state’s purchasing power. The key to vendor consolidation is not limiting the pool of potential vendors in a way that would deter potentially desirable vendors from bidding for state business; instead, it is creating an efficient contracting environment where conducting business with state agencies is attractive and valuable. Vendors respond to an SPD or DIR solicitation, or from individual agency solicitations posted on the Electronic State Business Daily. Certain vendors are contacted directly from the procuring agency through the Centralized Master Bidder List (CMBL), where a \$70 annual fee puts vendors first in line for agencies looking to procure commodities or services. The NASPO 2016 survey of states lists Texas among just five of the 47 responding states that charges vendors to register. While charging and requiring annual registration ensures that the CMBL remains current and active, it could be considered a barrier to vendors who may be pessimistic about their opportunities to be a successful vendor.

Improving the state’s purchasing process benefits good vendors, because when a vendor is contracted to the state and can work with multiple agencies without having to go through a procurement by each one, the vendor’s time and

efforts are focused on what they do best, not repeatedly navigating procurements by multiple agencies. A vendor and state agency both may realize efficiencies by being able to focus on their own primary missions, instead of drawn-out contract development.

In addressing the statute’s charge to examine reducing the number of vendors, it was important to understand that there is a difference in reducing competition and being a more efficient buyer. State statute is clear in instructing agencies to ensure the best value is achieved by evaluating competing suppliers for quality commodities or services that meet the agency’s specifications and delivery needs.

TABLE 7

NUMBER OF VENDORS USED

NUMBER OF VENDORS	NO. OF AGENCIES
< 50	28
50-100	20
100-250	25
250-1,000	18
>1,000	17

Source: Texas Comptroller of Public Accounts, RSM

TABLE 8

OVERLAP OF VENDORS USED BY AGENCIES

The distribution of vendors shows that the majority of state vendors are used by just one agency. This table shows the distribution of total contract value and number of transactions conducted by agencies that use one or more vendors.

NUMBER OF AGENCIES USING VENDOR	NUMBER OF VENDORS		FISCAL 2014-FISCAL 2015 TOTAL EXPENSE		FISCAL 2014-FISCAL 2015 TOTAL TRANSACTIONS	
	NUMBER OF VENDORS	PERCENTAGE	TOTAL EXPENSE	PERCENTAGE	TOTAL TRANSACTIONS	PERCENTAGE
1	34,134	81%	\$13,261,953,310	60%	358,113	23%
2	4,500	11%	\$2,229,220,761	10%	137,234	9%
3	1,553	4%	\$1,432,446,275	6%	110,692	7%
4	713	2%	\$469,628,082	2%	52,752	3%
5	448	1%	\$513,868,224	2%	49,550	3%
6	223	1%	\$780,780,490	4%	32,666	2%
7	162	0%	\$252,825,821	1%	31,023	2%
8	104	0%	\$395,134,997	2%	39,971	3%
9	96	0%	\$301,858,675	1%	26,695	2%
10	76	0%	\$132,560,073	1%	23,375	2%
Greater than 10	389	1%	\$2,442,321,585	11%	684,496	44%

Source: Texas Comptroller of Public Accounts, RSM

The opportunity to limit vendors by establishing contracts with a pool of qualified vendors that can supply the needs of multiple agencies requiring the same or similar commodities or services is a primary purpose of statewide contracting. Yet only 22 percent of agency spending (Table 4) is conducted using statewide contracts.

The number of vendors used by an agency in a year varies widely across the state, with as few as three to as many as 10,500 identified in RSM's analysis of USAS data. The number of vendors used as well as the extent of vendors for which agencies serve as the primary contractee are important indicators of both the complexity and difficulty of purchasing and contracting within each agency. Table 7 shows the count of agencies based on the range of vendors they used over the fiscal years in scope (2014 and 2015).

A review of the consolidation or overlap of vendors and agencies use shows us that a single agency uses the vast majority — 81 percent of all vendors representing 60 percent of total expenditures (Table 8). While the vendors used by a single agency comprise a majority of spending, they represent only 23 percent of all transactions during the fiscal 2014 and 2015 review period. The pool of vendors used by 10 or fewer agencies does, however, represent 56 percent of all transactions. Further analysis is needed at the vendor level to determine how much of this vendor overlap can be consolidated.

OBJECT CODE EXPENDITURES AND TRANSACTION VOLUME

As a consideration for identifying areas of potential consolidation or centralization, RSM performed an analysis of Texas expenditures categorized by USAS object code. Figure 4 shows total expenditures by USAS category for the 108 SB 20 agencies.

Consolidation of vendors typically yields preferential pricing, and centralized purchasing achieves potential gains in efficiency and expertise. Consolidation and centralization are most likely to occur on transactions for procuring goods and services.

Figure 4 is skewed by the presence of the large total expenditures associated with TxDOT, which accounts for more than 50 percent of the annual spending on goods and services. The same view of fiscal 2014-2015 expenditures excluding TxDOT shows that more than 43 percent of all spending within the other 107 in-scope agencies is procurement of professional services. (See RSM report for more detail.)

Analysis of total expenditures for fiscal 2014 and 2015 by USAS category provides insight into what types of goods and services drive the significant portion of all state expenses. Over the previous two years, capital projects (highway and other) represent 45.6 percent of all state expenditures, while professional

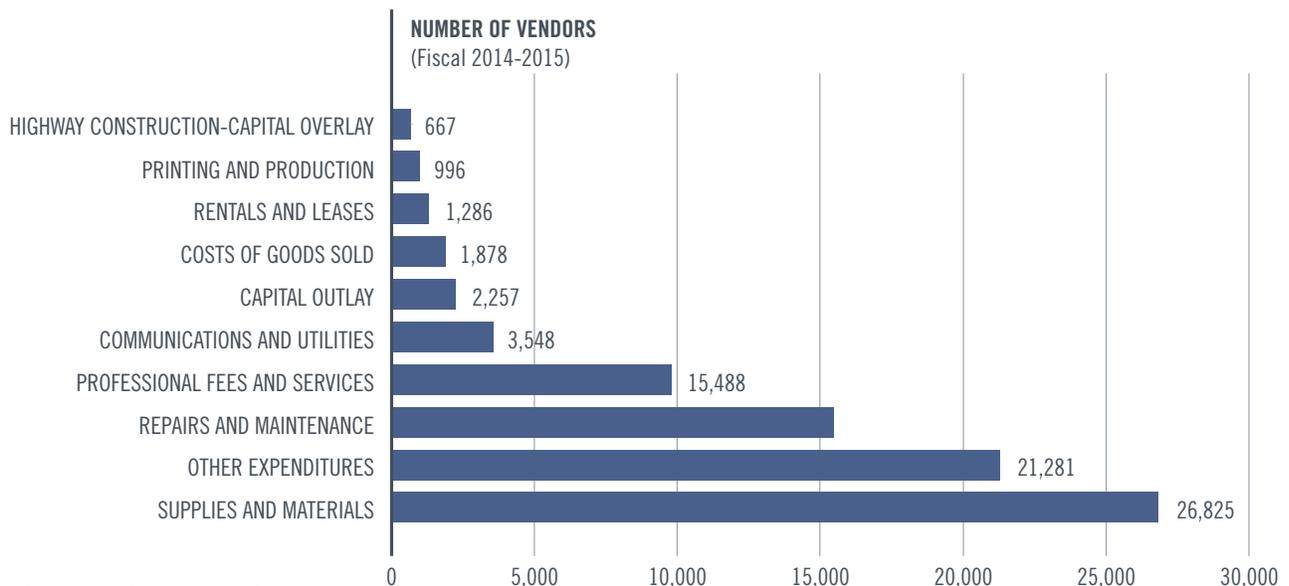
services represents an additional 22.8 percent. The combined 68.4 percent represents expenditures that are generally complex and large in nature and require specialized knowledge to perform the purchasing and contracting for these services.

When examining the transaction volumes by object code category, it is noted that "Supplies and Materials," "Other Expenditures" and "Repairs and Maintenance" account for 72 percent of all state transactions while only representing 27 percent of expenditure dollars. These high-volume, low-dollar transactions generally represent areas where centralization of purchasing functions and consolidation of vendors will have the greatest impact on operational efficiency. Similarly, the same three object codes account for approximately 75 percent of vendors used in Texas.

Figure 5 shows the number of vendors by USAS object category. By far, highway construction accounts for the largest portion of all state expenditures in dollars; however, highway construction represents a lesser opportunity for consolidation because it uses relatively few vendors and is currently centrally managed within TxDOT.

FIGURE 5

NUMBER OF VENDORS USED BY PURCHASING AREA



Source: Texas Comptroller of Public Account, RSM

VENDORS' PERSPECTIVE ON STATE PROCUREMENT

Vendor participation is essential for state agencies to find efficient and effective opportunities to purchase commodities and services. In light of the other changes SB 20 brought to state contracting, input from vendors during this study process was sought to help inform state government and the Legislature as they consider the future of state purchasing.

In May 2015, the Comptroller's office emailed a survey to 34,500 vendors that subscribed to purchasing and contracting email lists, to active Historically Underutilized Businesses (HUBs), and to entities registered on the CMBL.

Metrics indicate:

- the email was successfully delivered to 93 percent of the email addresses
- the email was opened by 29 percent of recipients
- 5 percent of recipients clicked on the survey link
- the number of surveys ultimately received was about 2.3 percent of the original sender list

At the time of completing the survey, about 68 percent of the survey respondents had done business with the state in the three years prior to SB 20 going into effect in September 2015, 51 percent had subsequently contracted with the state, 29 percent were currently on statewide contract SPD and 20 percent were currently on statewide contract DIR.

VENDOR RESPONDENT CHARACTERISTICS

TABLE 9

NUMBER OF AGENCIES CONTRACTED WITH

25%	1 agency
44%	2-5 agencies
13%	6-10 agencies
8%	11-20 agencies
9%	>20 agencies

VALUE OF STATE BUSINESS

27%	<\$50,000
26%	\$50,000-\$250,000
18%	\$250,000-\$1 million
13%	\$1 million-\$5 million
12%	\$5 million-\$50 million
3%	>\$5 million

Sources: Texas Comptroller of Public Accounts vendor survey

Based on the survey, vendor perceptions included the following:

- Consolidation would make it more difficult for vendors to compete, because fewer were doing business with the state.
- An approved vendor list would streamline the contracting process and remove lower quality vendors.
- The process would be simpler with fewer contracts.
- The vendors that take time to register to the CMBL already show willingness to do business with the state.
- The arduous process of state contracting is a deterrent to some potential vendors.

- Some say a reduced number of vendors would encourage more competition in the bidding process, while others say reducing the number of contracts and vendors kills innovation.
- There was a concern raised that small business would lose out.
- Vendors were almost evenly split with one-third each responding Yes, No or Don't Know when asked their opinion of whether state purchasing should be more centralized.
- 30 percent reported they worked with other states or the federal government, which had greater centralization. Of those, 40 percent said it was easier to work with more centralized government, 30 percent rated it about the same and 30 percent said it was more difficult.
- On the question of agency scope, 50 percent of respondents said Texas agencies scope procurements appropriately; 30 percent said agencies don't scope appropriately.

ADDRESSING THE ELEMENTS OF THE STUDY STATUTE

1. A detailed projection of expected savings or costs to this state in consolidating state purchasing

Consolidation may not significantly decrease or increase the cost of purchasing for agencies. Individual purchases could be conducted more efficiently, generating savings that would allow those agencies, particularly small agencies, to deploy their resources more effectively in their primary missions. Working with SPD and DIR to leverage experienced contract developers could help agencies achieve better pricing that would be more readily available to any other entity that might need it, even if the original contract might be eligible for automatic delegation. The relationship between subject matter experts at the end user agency and the centralized procurement agency is vital to understanding the agency's needs and employing consistent contract terms and conditions. This will help create a reliable and efficient process for the state government and vendors alike.

Of the 101 state agencies that responded to the Comptroller's study questionnaire, 44 reported purchasing and contracting requires less than one FTE. For 15 additional agencies, procurement required no more than two FTEs. Based on the reported data from these 101 agencies, 0.79 percent of their 145,000 FTEs are engaged in purchasing, contracting or both, accounting for \$66.3 million in payroll.

As noted previously, for some agencies it was difficult to fully determine the FTE count of purchasing and contracting activities when one or several individuals each had a limited role in purchasing or contracting. There are many instances across the agencies where purchasing or contracting work is conducted by personnel whose titles don't contain "purchaser" or "contract," and this is not confined to small agencies. When contract management duties are distributed throughout each agency, managed by the departments or programs for whom the contracts were procured, those subject matter expert/contract managers must be properly trained to consistently provide oversight and accurately report on those contracts to inform future renewals or developments of future contracts.

Based on the reporting of the 101 agencies that participated in the SB 20 study questionnaire, 1,164.6 FTEs were involved in spending approximately \$11.1 billion in fiscal 2015 (see Table 9). Although many agencies have a staff in full-time purchasing and/or contracting roles, for half of the agencies, purchasing and/or contracting is a small or very small percentage of their job, amounting to less than a single FTE's duties.

Staff costs associated with supporting contracting and purchasing activities are a key element and basis for measuring purchasing efficiency. Figure 6 indicates that the staff costs vary greatly by agency spending category. Agencies in smaller spending categories have significantly higher staff costs as a percentage of purchase.

In many less efficient agencies, staff costs associated with purchasing and contracting are greater than the value of the actual purchase. In the \$0-\$99,999 expenditure tier, staff costs add an average of 31 percent to each purchase. Comparatively, in the \$100 million expenditure tier, staff costs add an average of only 0.7 percent to each purchase.

POTENTIAL FOR CONSOLIDATION:

Looking at the smallest expenditure tier, the 27 agencies with less than \$100,000 in annual spending, combined FTEs in purchasing and contracting totaled 8.9, with a calculated staff salary cost of \$573,000. The average expenditures conducted by each FTE is \$145,407. This contrasts with the largest tiers, where the purchasing FTEs average double the number of transactions, conducting hundreds of times the value in expenditures.

Of course, it is impractical that one FTE from a large agency could replace two FTEs from a smaller agency. But it is feasible to suggest that some employees of smaller agencies who conduct purchasing as a small part of their job could save time and more efficiently use their agencies' resources by requesting purchases be made on their behalf by a designated central purchaser; these efficiencies are especially likely for purchases from statewide contracts which part-time purchasers are less familiar with and use infrequently.

CAPTURE MORE STATE SPEND ON TERM CONTRACTS AND TXSMARTBUY

RSM’s analysis determined that smaller agencies spend little, or in some cases, nothing, on statewide contracts through the TxSmartBuy system. Given that certain items, such as office supplies, have the state’s set-aside programs as the required first port of call, it is surprising that any agencies would have no purchases through TxSmartBuy. In agency reporting on experience and purchasing certifications, staff with the most extensive training and qualifications are those for whom purchasing and/or contracting is their primary function. In terms of percentage of total expenditures, the smallest agencies — those with the least buying power and the least day-to-day experience of purchasing — use statewide contracts the least.

If an agency does not follow purchasing rules to buy from set-aside programs and other term contracts, the state loses out TxSmartBuy fees generated on sales, and the state’s buying power is diluted. The concept of the multi-billion-dollar State of Texas buying power that can be leveraged to strike good deals only holds true if the state harnesses this spending power through statewide contracts that are used as widely as possible.

POTENTIAL SAVINGS

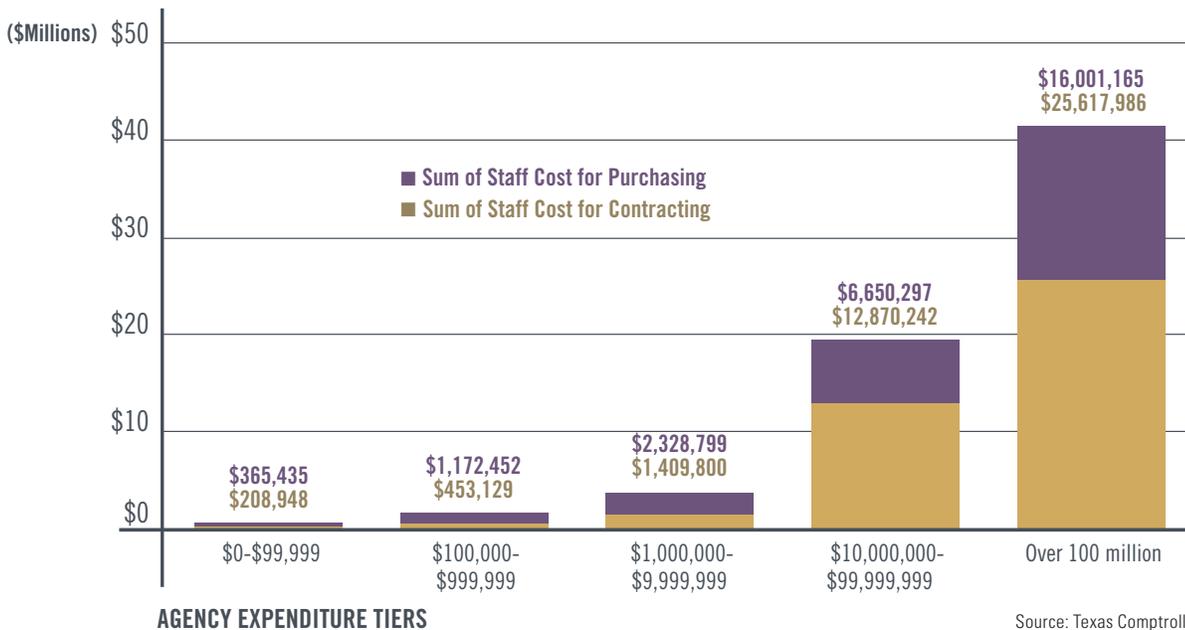
Of the 108 in-scope agencies, 20 spend \$0 through the TxSmartBuy system (although these agencies may still purchase offline from certain state contracts). There is significant under-use of TxSmartBuy by the Health and Human Services agencies, which do not order most of their office supplies from the statewide term contracts through TxSmartBuy, instead ordering directly from the vendor, though an exemption is not explicitly authorized in either statute or rule.

An additional 29 agencies that spend less than \$10,000 annually average just 0.12 percent of their expenditures on TxSmartBuy (Table 10.)

It is necessary to more closely study the expenditures of these agencies to determine whether there are missed opportunities to purchase through state contracts and determine whether agencies choose to purchase elsewhere for choice, quality or other reasons. Although many agencies purchase through the set-aside contracts, thousands of exception reports are filed by agencies each month citing quality, delivery time, product specifications, best value and other reasons for purchasing elsewhere. Analyzing these data to determine whether these issues could be addressed so that agencies would not have to expend resources so often to source commodities outside statewide contracts would be a large task that is outside the scope of this study.

FIGURE 6

STAFF COSTS FOR CONTRACTING & PURCHASING BY SPEND CATEGORY (FISCAL 2015)



Source: Texas Comptroller of Public Account, RSM

TABLE 10
TOTAL AGENCY EXPENDITURES BY EXPENDITURE TIER

TX SMARTBUY EXPENDITURES BY AGENCY	NUMBER OF AGENCIES	TOTAL 2015 USAS SPEND	TOTAL 2015 TXSMARTBUY SPEND	% OF SPEND WITHIN TXSMARTBUY
>\$100 million	2	\$7,424,114,192	\$555,205,315	7.48%
\$1,000,000-\$99,999,999	17	\$2,843,256,405	\$129,996,766	4.57%
\$100,000-\$999,999	14	\$390,580,223	\$4,139,351	1.06%
\$10,000-\$99,999	26	\$379,235,728	\$851,818	0.22%
<\$10,000	29	\$77,055,799	\$95,594	0.12%
\$0	20	\$2,804,434	\$-	0.00%
TOTALS		\$11,117,046,781	\$690,288,844	6.21%

Sources: Texas Comptroller of Public Accounts, RSM

2. A report on the process for the Legislature or the executive branch to implement the consolidation of state purchasing

Texas has extensive statutory requirements that stipulate when agencies may purchase independently or must attempt to work through the statewide contracts. Because agencies operate independently, there is significant duplication of effort whereby each agency must maintain employees skilled in purchasing and contracting no matter how limited or extensive their annual purchasing needs.

The requirements that Texas purchasers and contracting personnel be trained and certified is essential to operating efficient government. In the vendor survey conducted by the Comptroller’s office, 58 percent of the vendors noted there was consistency between their dealings with different agencies, while about 30 percent said agencies

were inconsistent. The more standardized the process for agencies and vendors alike, the more likely there is to be consistency.

For the agencies with limited expenditures, there are relatively little savings to be achieved by cutting personnel; however, the Legislature or executive branch could consider either requiring agencies below a certain threshold of expenditures to conduct purchasing with SPD and/or DIR to ensure that the best value opportunities and state-managed contracts are being used effectively. RSM’s analysis indicated that small agencies are proportionately much smaller users of these contracts, and that there is an opportunity to increase expenditures through statewide contracts. Alternatively, agencies could look at following the lead of the State Office of Risk Management, which contracts with the Office of the Attorney General for its administrative functions, including purchasing, and benefits from the expertise of the larger agency.

TABLE 11
TXSMARTBUY EXPENDITURES BY EXPENDITURE TIER

AGENCY EXPENDITURE TIER (FISCAL 2015)	TOTAL EXPENDITURES	TXSMARTBUY EXPENDITURES	TXSMARTBUY % OF TOTAL
\$0-\$99,999	\$1,465,453	\$53,816	3.67%
\$100,000-\$999,999	\$11,137,337	\$492,611	4.42%
\$1,000,000-\$9,999,999	\$74,298,740	\$2,436,069	3.28%
\$10,000,000-\$99,999,999	\$864,910,487	\$55,806,795	6.45%
Over \$100 million	\$10,165,234,765	\$631,499,553	6.21%

Sources: Texas Comptroller of Public Accounts, RSM

ENCOURAGE MORE USE OF E-PROCUREMENT TO REDUCE OFFLINE SALES

For the statewide contracts on TxSmartBuy used by state agencies (and higher education and CO-OPs), the state receives an administration fee that funds operations. Offline sales (those placed directly with vendors whose goods and services are purchased directly from the vendor) are supposed to be reported back to the statewide procurement agencies, also

generating a fee. The State Auditor's Office in fall 2016 examined the TXMAS program within SPD. In response to this process, SPD modified how its contracts were managed and discovered instances where vendors had not properly reported their offline sales. To reduce the potential for lost revenue due to underreported sales, the Comptroller is limiting these sales by requiring vendors, when possible, to post all available commodities and services through TxSmartBuy. Additionally, TXMAS vendors that don't sell sufficient value are no longer being renewed; this action consolidates the pool of vendors to those whom state agencies view as providing best value.

All of DIR's statewide contract sales are offline because there is no e-procurement or centralized online ordering system. The RSM consultants noted that an ideal public purchasing system would have an end-to-end life cycle, but this is neither an affordable nor a likely scenario achievable in the near future. Instead, the Legislature or executive leadership could require DIR's vendors to supply their catalog information through an online ordering system similar to TxSmartBuy. Because the expertise with establishing IT and Telecom contracts lies with DIR, consolidating its purchasing role with SPD is not desirable; the two agencies currently work together on a Procurement Coordination Committee that seeks to share practices, find administrative efficiencies and eliminate contracting overlap. (A proposal to merge IT and non-IT centralized contracting operations was vetoed by the Governor in 2011.)

DISCONTINUE COUNCIL FOR COMPETITIVE GOVERNMENT

In 1993, the Council for Competitive Government (CCG) was established to provide innovative statewide contracts. Administration of CCG was transferred to the Comptroller's office in 2007, and, over time its role has been recognized as substantially duplicative to the other broader statewide contracting conducted at the Comptroller's office, and so in an effort to streamline, CCG's management has been moved to SPD. It is necessary to maintain CCG in keeping with state law, but almost all of its contracts could be replaced with contracts developed or updated by SPD, with the remaining applicable contracts transferred to DIR. Given the changes in statewide procurement authority that have placed responsibility for contracting with SPD and DIR, the Legislature could discontinue CCG to consolidate the statewide contracts. The Comptroller's office has already performed a similar

deduplication exercise by folding its former Strategic Sourcing Division, which it established to focus on procuring complex, high-value statewide contracts in specialist areas, into the SPD operation.

CHIEF PROCUREMENT OFFICERS FOR IT AND GENERAL PROCUREMENT

In establishing the centralized procurement authority of DIR for IT contracting two decades ago and moving non-IT procurement under the Comptroller's office in 2007, the Legislature created one centralized procurement authority, DIR, that reports to a board and an executive director (both appointed by the governor) and another, SPD, that reports to a statewide elected official. Although the programs of both agencies are subject to audit by the State Auditor's Office and various other oversight measures take place, there is no single statewide chief procurement officer (CPO) in the state that provides oversight. Although statewide CPO is a position that the Legislature could consider — other states operate with a combination of single or multiple chief procurement officers — the existing variety of centralized purchasing and agency structures makes it hard to see how such a position would neatly fit in Texas without significantly overhauling and homogenizing purchasing statutes.

In effect, the director of SPD and the DIR executive director act as statewide CPOs over their respective purchasing responsibilities. Since the SB 20 study was begun, both organizations have appointed new heads that have reorganized leadership and processes, partially in response to the 84th Legislature's efforts to improve state contracting through SB 20 and other legislation. The Legislature could formalize these designations as CPO-General Procurement and CPO-IT, and direct them to conduct a biennial spending analysis of state agencies and higher education purchasing on their respective expenditure areas.

ANALYZE AGENCY CONTRACTING FOR DUPLICATION

State agencies were required in SB 20 to submit information to the LBB contracts database. The Comptroller's CAPPs team has developed a transfer interface that permits agencies to enter data in the CAPPs system that also creates a record in the LBB dataset; additional contract documents

may then be uploaded. The challenge with this system is that agencies don't have an easy way to see whether other agencies are making similar purchases or contracts that are delegated back to each agency because no statewide contract is available.

The RSM analysis is based on the 104 USAS object codes that the Comptroller's Fiscal Management Division was able to identify as capturing the state's \$11.1 billion in state expenditures in fiscal 2015. Part of the challenge for any analysis lies in the quality of data being captured. As more agencies deploy the CAPPs system, the state should be able to look at more detailed purchasing data where transactions are grouped by purchase orders and agency expenditures can be evaluated for duplication — for example, this could be duplicate contracts of similar product or service sourced from different vendors by each purchasing agency.

Investing time and resources to conduct this kind of contracting analysis by SPD and DIR would permit each agency to understand and compare — across agencies — the purchases that are being conducted outside of statewide contracts either due to value below the delegation threshold or because existing statewide contracts don't exist. This would require personnel at all agencies to consistently submit detailed, accurate expenditure data. It is impractical for agencies to consider searching the one-time buy histories of other agencies, but for a centralized purchasing organization that is familiar with other agencies' delegated requests and that can analyze statewide expenditures, there is a greater likelihood of identifying opportunities where agencies can share a contract, either interagency or statewide.

3. A list of state agencies, including dedicated offices or departments in those agencies, with purchasing responsibilities

4. The total cost to this state of the purchasing responsibilities for each state agency, including the dedicated office or department in the agency with purchasing responsibility

The list of state agencies with purchasing responsibilities, for the purposes of this study, was identified as 108.

Almost all conduct some purchasing and contracting, with staff ranging from a fraction of one FTE to the hundreds of purchasing and contracting staff at the largest organizations (TxDOT and the Health and Human Services agencies). Two agencies — State Office of Risk Management and Office of the State Prosecuting Attorney — have contracted with another agency to administer their business operations, including purchasing. (During the questionnaire process, both of these agencies worked with their respective partner agencies to submit expenditure and personnel data that reflected the cost of purchasing on behalf of the smaller agency.)

Table 12 expands upon the data presented in Table 3 by including detailed FTE information reported by responding agencies in the context of each agency's total salary and personnel numbers, as well as the cost of procuring goods and services as a factor of the agencies expenditures on purchasing and contracting.

TABLE 12

AVERAGE NUMBER OF FTES WHO PERFORM PURCHASING AND CONTRACTING

See RSM Appendix A for a list of the agencies in each tier.

(Note: Seven in-scope agencies did not respond to the SB 20 agency questionnaire; their data are not included.)

AGENCY	AGENCY NAME	AGENCY FTES			SALARY (3)		SALARY (3)			FY 2015 TRANSACTIONS PROCESSED (4)	FY 2015 PROCUREMENT EXPENDITURES	AVERAGE TRANSACTION VALUE	PROCUREMENT SALARY COST PER \$1 SPENT
		ESTIMATED PROCUREMENT (1)	PROCUREMENT AS PERCENTAGE OF TOTAL	TOTAL	PURCHASING FTES	CONTRACTING FTES	ALL PROCUREMENT	PROCUREMENT AS PERCENTAGE OF ALL SALARIES	ALL SALARIES				
101	SENATE (2)	-	-	-	-	-	-	-	-	-	-	-	-
102	HOUSE OF REPRESENTATIVES (2)	-	-	-	-	-	-	-	-	-	-	-	-
103	TEXAS LEGISLATIVE COUNCIL (2)	-	-	-	-	-	-	-	-	-	-	-	-
104	LEGISLATIVE BUDGET BOARD	0.43	0.28%	156	\$16,492.19	\$20,602.37	\$37,094.56	0.27%	\$13,873,969.80	252	\$1,114,397.87	\$4,422.21	\$0.03
105	LEGISLATIVE REFERENCE LIBRARY (2)	-	-	-	-	-	-	-	-	-	-	-	-
116	SUNSET ADVISORY COMMISSION	0.06	0.21%	29	\$-	\$4,933.72	\$4,933.72	0.23%	\$2,154,416.88	99	\$43,698.22	\$441.40	\$0.11
201	SUPREME COURT (2)	-	-	-	-	-	-	-	-	-	-	-	-
211	COURT OF CRIMINAL APPEALS	0.11	0.15%	71	\$-	\$7,164.20	\$7,164.20	0.11%	\$6,275,247.72	199	\$81,094.78	\$407.51	\$0.09
212	OFFICE OF COURT ADMINISTRATION	2.86	1.23%	232	\$49,102.36	\$127,941.18	\$177,043.54	1.05%	\$16,911,359.52	1,316	\$3,012,536.24	\$2,289.16	\$0.06
213	OFFICE OF STATE PROSECUTING ATTORNEY	0.03	0.75%	4	\$4,314.72	\$-	\$4,314.72	1.12%	\$383,633.16	26	\$11,469.31	\$441.13	\$0.38
215	OFFICE OF CAPITAL WRITS	-	-	-	-	-	-	-	-	-	-	-	-
221	FIRST COURT OF APPEALS DISTRICT	0.05	0.11%	44	\$-	\$3,056.77	\$3,056.77	0.08%	\$4,056,900.12	37	\$106,834.28	\$2,887.41	\$0.03
222	SECOND COURT OF APPEALS DISTRICT	0.35	0.90%	39	\$9,846.70	\$12,046.70	\$21,893.40	0.65%	\$3,343,161.12	186	\$49,819.92	\$267.85	\$0.44
223	THIRD COURT OF APPEALS DISTRICT	0.1	0.29%	35	\$2,569.32	\$6,244.89	\$8,814.21	0.30%	\$2,967,557.76	72	\$81,763.81	\$1,135.61	\$0.11
224	FOURTH COURT OF APPEALS DISTRICT	0.4	1.21%	33	\$9,393.80	\$20,681.65	\$30,075.45	0.93%	\$3,251,114.76	179	\$65,270.27	\$364.64	\$0.46
225	FIFTH COURT OF APPEALS DISTRICT	0.4	0.59%	68	\$8,800.00	\$26,400.00	\$35,200.00	0.63%	\$5,629,506.84	132	\$222,053.78	\$1,682.23	\$0.16
226	SIXTH COURT OF APPEALS DISTRICT	0.05	0.33%	15	\$1,067.03	\$4,268.12	\$5,335.15	0.36%	\$1,496,081.04	25	\$14,591.05	\$583.64	\$0.37
227	SEVENTH COURT OF APPEALS DISTRICT	0.12	0.63%	19	\$-	\$8,205.70	\$8,205.70	0.46%	\$1,772,114.76	112	\$28,158.40	\$251.41	\$0.29
228	EIGHTH COURT OF APPEALS DISTRICT	0.07	0.39%	18	\$1,227.18	\$6,854.52	\$8,081.70	0.53%	\$1,538,610.48	83	\$29,584.62	\$356.44	\$0.27
229	NINTH COURT OF APPEALS DISTRICT	0.06	0.29%	21	\$1,240.75	\$6,203.75	\$7,444.50	0.39%	\$1,915,823.76	6	\$14,930.18	\$2,488.36	\$0.50
230	TENTH COURT OF APPEALS DISTRICT	0.13	0.81%	16	\$2,116.30	\$7,078.00	\$9,194.30	0.65%	\$1,413,047.52	92	\$27,881.41	\$303.06	\$0.33
231	ELEVENTH COURT OF APPEALS DISTRICT	0.18	0.95%	19	\$1,895.73	\$9,478.65	\$11,374.38	0.81%	\$1,399,653.84	122	\$41,250.70	\$338.12	\$0.28
232	TWELFTH COURT OF APPEALS DISTRICT	0.05	0.33%	15	\$850.00	\$3,400.00	\$4,250.00	0.28%	\$1,496,673.84	69	\$28,459.06	\$412.45	\$0.15
233	THIRTEENTH COURT OF APPEALS DISTRICT	0.11	0.35%	31	\$1,444.56	\$5,678.76	\$7,123.32	0.27%	\$2,631,135.72	65	\$12,969.64	\$199.53	\$0.55
234	FOURTEENTH COURT OF APPEALS DISTRICT	0.05	0.12%	41	\$-	\$3,056.77	\$3,056.77	0.07%	\$4,174,861.56	71	\$72,474.51	\$1,020.77	\$0.04
242	STATE COMMISSION ON JUDICIAL CONDUCT	0.27	2.08%	13	\$1,120.00	\$14,000.00	\$15,120.00	1.68%	\$901,978.32	94	\$44,163.98	\$469.83	\$0.34
243	STATE LAW LIBRARY	0.3	2.73%	11	\$-	\$17,565.32	\$17,565.32	2.97%	\$591,015.96	163	\$302,784.17	\$1,857.57	\$0.06
300	GOVERNOR'S OFFICE	2.85	2.57%	111	\$132,531.10	\$71,547.00	\$204,078.10	2.85%	\$7,150,039.92	864	\$52,222,203.62	\$60,442.37	\$0.00
302	OFFICE OF THE ATTORNEY GENERAL	70.35	1.72%	4,083	\$2,902,005.48	\$1,244,111.12	\$4,146,116.60	1.91%	\$217,306,881.30	15,886	\$63,745,318.87	\$4,012.67	\$0.07
303	TEXAS FACILITIES COMMISSION	29.3	8.75%	335	\$1,731,799.30	\$581,456.95	\$2,313,256.25	14.48%	\$15,980,506.44	6,690	\$66,161,801.07	\$9,889.66	\$0.03

TABLE 12 (CONTINUED)

AVERAGE NUMBER OF FTES WHO PERFORM PURCHASING AND CONTRACTING

AGENCY	AGENCY NAME	AGENCY FTES			SALARY (3)		SALARY (3)			FY 2015 TRANSACTIONS PROCESSED (4)	FY 2015 PROCUREMENT EXPENDITURES	AVERAGE TRANSACTION VALUE	PROCUREMENT SALARY COST PER \$1 SPENT
		ESTIMATED PROCUREMENT (1)	PROCUREMENT AS PERCENTAGE OF TOTAL	TOTAL	PURCHASING FTES	CONTRACTING FTES	ALL PROCUREMENT	PROCUREMENT AS PERCENTAGE OF ALL SALARIES	ALL SALARIES				
304	COMPTROLLER OF PUBLIC ACCOUNTS (Agency Operations)	12.25	0.45%	2,723	\$752,914.56	\$261,949.74	\$1,014,864.30	0.57%	\$178,350,995.16	5,716	\$68,207,369.96	\$11,932.71	\$0.01
	STATEWIDE PROCUREMENT DIVISION (5)	31.2	1.15%		N/A	\$2,242,539.00	\$2,242,539.00	1.26%		N/A	N/A	N/A	N/A
305	GENERAL LAND OFFICE AND VETERAN'S LAND BOARD	23.1	3.94%	587	\$667,760.97	\$597,156.74	\$1,264,917.71	2.99%	\$42,366,004.92	9,743	\$323,450,858.61	\$33,198.28	\$0.00
306	TEXAS STATE LIBRARY AND ARCHIVES COMMISSION	16.56	10.16%	163	\$505,432.83	\$292,064.81	\$797,497.64	11.34%	\$7,034,633.88	1,324	\$14,987,702.70	\$11,320.02	\$0.05
307	SECRETARY OF STATE	3	1.61%	186	\$48,986.70	\$112,953.30	\$161,940.00	1.67%	\$9,674,255.52	910	\$9,265,465.98	\$10,181.83	\$0.02
308	STATE AUDITOR'S OFFICE	-	-	-	-	-	-	-	-	-	-	-	-
312	TEXAS STATE SECURITIES BOARD	1.3	1.48%	88	\$1,960.60	\$53,423.45	\$55,384.05	0.95%	\$5,840,523.60	500	\$344,341.03	\$688.68	\$0.16
313	DEPARTMENT OF INFORMATION RESOURCES (Agency Operations)	2	1.05%	191	\$144,247.92	N/A	\$144,247.92	0.93%	\$15,523,927.80	2,223	\$21,404,133.30	\$9,628.49	\$0.01
	TECHNOLOGY SOURCING (STATEWIDE CONTRACTS) (5)	31	16.23%		N/A	\$2,506,756.40	\$2,506,756.40	16.15%		N/A	N/A	N/A	N/A
320	TEXAS WORKFORCE COMMISSION	9	0.32%	2,788	\$90,924.35	\$384,417.65	\$475,342.00	0.39%	\$123,208,940.16	9,479	\$27,487,988.66	\$2,899.88	\$0.02
323	TEACHER RETIREMENT SYSTEM	7	1.09%	642	\$111,771.36	\$334,273.18	\$446,044.54	0.84%	\$52,858,138.30	2,193	\$82,926,569.34	\$37,814.21	\$0.01
326	TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM	1.5	13.64%	11	\$23,961.50	\$47,923.00	\$71,884.50	12.78%	\$562,561.08	208	\$918,630.44	\$4,416.49	\$0.08
327	EMPLOYEES RETIREMENT SYSTEM	10	2.88%	347	\$562,447.64	\$157,491.84	\$719,939.48	2.50%	\$28,800,903.84	3,384	\$21,368,639.58	\$6,314.61	\$0.03
329	TEXAS REAL ESTATE COMMISSION	2.5	2.55%	98	\$23,610.00	\$93,660.00	\$117,270.00	2.14%	\$5,490,432.96	643	\$761,977.58	\$1,185.04	\$0.15
332	TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS	4	1.43%	279	\$119,981.61	\$153,840.95	\$273,822.56	1.47%	\$18,580,474.56	1,664	\$2,245,908.75	\$1,349.70	\$0.12
338	STATE PENSION REVIEW BOARD	0.2	1.54%	13	\$3,227.00	\$9,681.00	\$12,908.00	1.83%	\$705,092.28	48	\$75,773.08	\$1,578.61	\$0.17
347	TEXAS PUBLIC FINANCE AUTHORITY	0.5	4.17%	12	\$29,727.15	\$22,954.65	\$52,681.80	5.23%	\$1,007,069.52	307	\$3,632,811.14	\$11,833.26	\$0.01
352	TEXAS BOND REVIEW BOARD	0.5	5.00%	10	\$13,500.00	\$31,500.00	\$45,000.00	6.88%	\$654,151.20	91	\$79,828.37	\$877.23	\$0.56
356	TEXAS ETHICS COMMISSION	2.25	7.26%	31	\$116,786.18	\$45,436.12	\$162,222.31	9.25%	\$1,754,431.60	233	\$1,852,667.26	\$7,951.36	\$0.09
359	OFFICE OF PUBLIC INSURANCE COUNSEL	0.11	1.00%	11	\$1,377.34	\$4,484.50	\$5,861.84	0.73%	\$802,430.56	98	\$57,964.84	\$591.48	\$0.10
360	STATE OFFICE OF ADMINISTRATIVE HEARINGS	0.9	0.83%	109	\$6,106.30	\$48,850.40	\$54,956.70	0.64%	\$8,541,036.48	948	\$475,380.58	\$501.46	\$0.12
362	TEXAS LOTTERY COMMISSION	8	2.56%	312	\$294,969.18	\$265,282.38	\$560,251.56	2.73%	\$20,547,315.72	2,058	\$157,366,751.28	\$76,465.87	\$0.00
364	HEALTH PROFESSIONS COUNCIL	0.2	2.86%	7	\$7,000.00	\$7,000.00	\$14,000.00	3.30%	\$424,408.44	96	\$454,016.50	\$4,729.34	\$0.03
401	TEXAS MILITARY DEPARTMENT	12	2.29%	525	\$20,326.00	\$30,330.46	\$50,656.46	0.19%	\$26,187,598.08	10,945	\$47,068,848.79	\$4,300.49	\$0.00
403	TEXAS VETERANS COMMISSION	1	0.25%	404	\$7,965.00	\$45,135.00	\$53,100.00	0.29%	\$18,520,637.16	1,551	\$1,565,814.05	\$1,009.55	\$0.03
405	DEPARTMENT OF PUBLIC SAFETY	38	0.40%	9,429	\$1,133,404.88	\$1,133,404.88	\$2,266,809.76	0.44%	\$519,237,564.73	25,495	\$268,685,413.11	\$10,538.75	\$0.01
407	TEXAS COMMISSION ON LAW ENFORCEMENT	0.61	1.27%	48	\$6,339.12	\$20,468.45	\$26,807.57	1.09%	\$2,456,653.84	438	\$396,095.73	\$904.33	\$0.07
409	TEXAS COMMISSION ON JAIL STANDARDS	0.2	1.18%	17	\$4,948.75	\$4,948.75	\$9,897.50	1.27%	\$782,270.28	124	\$50,077.30	\$403.85	\$0.20
411	TEXAS COMMISSION ON FIRE PROTECTION	1.55	5.00%	31	\$11,940.80	\$60,311.20	\$72,252.00	4.23%	\$1,706,635.44	385	\$155,852.46	\$404.81	\$0.46
448	OFFICE OF INJURED EMPLOYEE COUNSEL	1	0.61%	163	\$19,240.48	\$30,137.04	\$49,377.53	0.67%	\$7,319,764.80	216	\$248,221.97	\$1,149.18	\$0.20

TABLE 12 (CONTINUED)

AVERAGE NUMBER OF FTES WHO PERFORM PURCHASING AND CONTRACTING

AGENCY	AGENCY NAME	AGENCY FTES			SALARY (3)		SALARY (3)			FY 2015 TRANSACTIONS PROCESSED (4)	FY 2015 PROCUREMENT EXPENDITURES	AVERAGE TRANSACTION VALUE	PROCUREMENT SALARY COST PER \$1 SPENT
		ESTIMATED PROCUREMENT (1)	PROCUREMENT AS PERCENTAGE OF TOTAL	TOTAL	PURCHASING FTES	CONTRACTING FTES	ALL PROCUREMENT	PROCUREMENT AS PERCENTAGE OF ALL SALARIES	ALL SALARIES				
450	TEXAS DEPARTMENT OF SAVINGS AND MORTGAGE LENDING	0.58	1.07%	54	\$4,110.18	\$26,932.59	\$31,042.77	0.83%	\$3,740,218.56	269	\$179,683.07	\$667.97	\$0.17
451	TEXAS DEPARTMENT OF BANKING	2.1	1.14%	185	\$28,630.75	\$111,082.08	\$139,712.83	0.88%	\$15,922,168.87	969	\$905,083.03	\$934.04	\$0.15
452	TEXAS DEPARTMENT OF LICENSING AND REGULATION	5.3	1.32%	402	\$116,331.52	\$171,550.97	\$287,882.48	1.29%	\$22,364,068.92	1,632	\$1,903,103.68	\$1,166.12	\$0.15
454	TEXAS DEPARTMENT OF INSURANCE	9	0.67%	1,350	\$173,164.35	\$271,233.40	\$444,397.75	0.58%	\$76,214,652.00	4,441	\$14,388,511.46	\$3,239.93	\$0.03
455	TEXAS RAILROAD COMMISSION	6.9	0.94%	732	\$204,357.08	\$261,554.53	\$465,911.61	1.12%	\$41,453,948.88	5,179	\$33,271,234.84	\$6,424.26	\$0.01
456	TEXAS BOARD OF PLUMBING EXAMINERS	1	3.23%	31	\$24,032.40	\$10,299.60	\$34,332.00	2.37%	\$1,448,104.92	538	\$371,837.41	\$691.15	\$0.09
457	TEXAS BOARD OF PUBLIC ACCOUNTANCY	0.4	0.95%	42	\$3,071.75	\$17,182.25	\$20,254.00	0.80%	\$2,521,726.80	698	\$595,698.45	\$853.44	\$0.03
458	TEXAS ALCOHOLIC BEVERAGE COMMISSION	4	0.64%	624	\$6,784.88	\$185,715.95	\$192,500.83	0.55%	\$34,974,661.07	2,810	\$5,931,155.67	\$2,110.73	\$0.03
459	TEXAS BOARD OF ARCHITECTURAL EXAMINERS	0.1	0.53%	19	\$4,500.00	\$4,500.00	\$9,000.00	0.66%	\$1,369,706.04	207	\$116,012.16	\$560.45	\$0.08
460	TEXAS BOARD OF PROFESSIONAL ENGINEERS	0.8	2.58%	31	\$17,973.00	\$29,955.00	\$47,928.00	2.35%	\$2,041,119.96	558	\$312,852.04	\$560.67	\$0.15
464	TEXAS BOARD OF PROFESSIONAL LAND SURVEYING	0.1	1.43%	7	\$1,679.10	\$1,679.10	\$3,358.20	1.15%	\$292,627.92	78	\$29,165.94	\$373.92	\$0.12
466	OFFICE OF CONSUMER CREDIT COMMISSIONER	0.41	0.51%	81	\$12,495.07	\$16,683.54	\$29,178.61	0.62%	\$4,685,725.20	664	\$848,576.86	\$1,277.98	\$0.03
469	CREDIT UNION DEPARTMENT	0.5	1.85%	27	\$-	\$44,706.60	\$44,706.60	2.21%	\$2,023,008.16	258	\$214,836.00	\$832.70	\$0.21
473	PUBLIC UTILITY COMMISSION OF TEXAS	1.3	0.66%	196	\$42,650.10	\$38,500.00	\$81,150.10	0.63%	\$12,836,051.64	829	\$4,627,645.32	\$5,582.20	\$0.02
475	OFFICE OF PUBLIC UTILITY COUNSEL	1.25	6.58%	19	\$36,950.53	\$55,425.80	\$92,376.33	6.17%	\$1,497,505.92	188	\$471,327.74	\$2,507.06	\$0.20
476	TEXAS RACING COMMISSION	2.65	5.00%	53	\$21,374.06	\$111,153.07	\$132,527.13	4.41%	\$3,004,372.96	610	\$440,942.81	\$722.86	\$0.30
477	COMMISSION ON STATE EMERGENCY COMMUNICATION	2.25	9.00%	25	\$96,926.90	\$45,100.00	\$142,026.90	8.59%	\$1,653,975.68	261	\$4,288,511.15	\$16,431.08	\$0.03
479	STATE OFFICE OF RISK MANAGEMENT	22	19.30%	114	\$376,141.75	\$969,247.25	\$1,345,389.00	22.02%	\$6,108,643.80	295	\$2,966,247.89	\$10,055.08	\$0.45
481	TEXAS BOARD OF PROFESSIONAL GEOSCIENTISTS	0.1	1.43%	7	\$-	\$6,811.00	\$6,811.00	1.70%	\$401,464.56	111	\$107,371.22	\$967.31	\$0.06
503	TEXAS BOARD OF MEDICAL EXAMINERS	1.8	0.91%	197	\$14,874.88	\$74,374.38	\$89,249.26	0.89%	\$10,006,508.64	4,533	\$2,141,732.83	\$472.48	\$0.04
504	TEXAS BOARD OF DENTAL EXAMINERS	0.15	0.28%	54	\$-	\$5,685.00	\$5,685.00	0.21%	\$2,710,569.60	1,195	\$644,207.20	\$539.09	\$0.01
507	TEXAS BOARD OF NURSE EXAMINERS	1	0.88%	113	\$2,684.83	\$51,011.81	\$53,696.64	0.82%	\$6,567,533.52	879	\$3,615,456.74	\$4,113.15	\$0.01
508	TEXAS BOARD OF CHIROPRACTIC EXAMINERS	0.13	0.93%	14	\$2,433.72	\$2,929.44	\$5,363.16	0.83%	\$650,063.16	178	\$62,598.94	\$351.68	\$0.09
512	TEXAS STATE BOARD OF PODIATRIC MEDICAL EXAMINERS	0.02	0.50%	4	\$793.78	\$793.78	\$1,587.56	0.74%	\$213,644.76	66	\$34,868.38	\$528.31	\$0.05
513	TEXAS FUNERAL SERVICE COMMISSION	0.01	0.08%	12	\$-	\$534.99	\$534.99	0.09%	\$572,490.00	124	\$111,982.83	\$903.09	\$0.00
514	TEXAS OPTOMETRY BOARD	0.05	0.71%	7	\$-	\$1,009.95	\$1,009.95	0.34%	\$294,799.56	80	\$55,083.39	\$688.54	\$0.02
515	TEXAS BOARD OF PHARMACY	1.1	1.18%	93	\$17,868.52	\$35,961.04	\$53,829.56	1.04%	\$5,157,394.02	732	\$997,882.70	\$1,363.23	\$0.05
520	TEXAS BOARD OF EXAMINERS OF PSYCHOLOGISTS	0.06	0.43%	14	\$846.83	\$4,234.13	\$5,080.95	0.78%	\$648,976.44	207	\$67,278.99	\$325.02	\$0.08
529	TEXAS HEALTH AND HUMAN SERVICES COMMISSION	145.47	1.20%	12,161	\$5,139,670.90	\$3,528,712.85	\$8,668,383.75	1.71%	\$508,335,164.16	60,806	\$959,961,320.62	\$15,787.28	\$0.01
530	TEXAS DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES	57.68	0.49%	11,862	\$2,441,825.98	\$350,605.80	\$2,792,431.79	0.56%	\$498,120,339.72	18,599	\$151,547,038.53	\$8,148.13	\$0.02

TABLE 12 (CONTINUED)
AVERAGE NUMBER OF FTES WHO PERFORM PURCHASING AND CONTRACTING

AGENCY	AGENCY NAME	AGENCY FTES			SALARY (3)		SALARY (3)			FY 2015 TRANSACTIONS PROCESSED (4)	FY 2015 PROCUREMENT EXPENDITURES	AVERAGE TRANSACTION VALUE	PROCUREMENT SALARY COST PER \$1 SPENT
		ESTIMATED PROCUREMENT (1)	PROCUREMENT AS PERCENTAGE OF TOTAL	TOTAL	PURCHASING FTES	CONTRACTING FTES	ALL PROCUREMENT	PROCUREMENT AS PERCENTAGE OF ALL SALARIES	ALL SALARIES				
533	TEXAS EXECUTIVE COUNCIL OF PHYSICAL THERAPY & OCCUPATION	1.1	5.50%	20	\$17,207.25	\$45,834.75	\$63,042.00	6.37%	\$990,045.84	178	\$49,227.28	\$276.56	\$1.28
537	TEXAS DEPARTMENT OF STATE HEALTH SERVICES	13.65	0.11%	11,954	\$722,831.83	\$54,144.95	\$776,976.79	0.16%	\$488,647,285.92	78,565	\$467,500,936.13	\$5,950.50	\$0.00
538	TEXAS DEPARTMENT OF ASSISTIVE AND REHABILITATIVE SERVICE	21.9	0.76%	2,870	\$1,195,289.27	\$226,430.37	\$1,421,719.63	0.95%	\$149,350,437.96	12,206	\$44,969,715.76	\$3,684.23	\$0.03
539	TEXAS DEPARTMENT OF AGING AND DISABILITY SERVICES	54.58	0.36%	15,346	\$2,335,679.66	\$247,742.39	\$2,583,422.04	0.46%	\$560,550,596.64	69,965	\$248,272,178.92	\$3,548.52	\$0.01
542	CANCER PREVENTION AND RESEARCH INSTITUTE OF TEXAS	1.3	4.48%	29	\$64,509.81	\$32,037.41	\$96,547.22	3.09%	\$3,129,513.36	631	\$13,063,804.21	\$20,703.33	\$0.01
551	TEXAS DEPARTMENT OF AGRICULTURE	2	0.32%	627	\$63,326.50	\$63,326.50	\$126,653.00	0.37%	\$34,310,124.84	3,543	\$10,873,852.69	\$3,069.11	\$0.01
554	TEXAS ANIMAL HEALTH COMMISSION	2	1.15%	174	\$29,183.70	\$66,024.66	\$95,208.36	1.10%	\$8,618,913.68	1,788	\$2,165,406.84	\$1,211.08	\$0.04
578	TEXAS BOARD OF VETERINARY MEDICAL EXAMINERS	0.5	2.63%	19	\$-	\$19,650.00	\$19,650.00	2.13%	\$922,100.16	235	\$86,133.93	\$366.53	\$0.23
580	TEXAS WATER DEVELOPMENT BOARD	8	2.83%	283	\$335,179.86	\$162,494.10	\$497,673.96	2.47%	\$20,116,793.04	1,741	\$7,412,847.46	\$4,257.81	\$0.07
582	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	14	0.52%	2,708	\$278,410.62	\$354,824.35	\$633,234.97	0.41%	\$156,293,973.72	16,797	\$87,977,250.81	\$5,237.68	\$0.01
592	TEXAS SOIL AND WATER CONSERVATION BOARD	0.8	1.11%	72	\$-	\$35,916.00	\$35,916.00	0.88%	\$4,058,319.36	976	\$5,061,625.39	\$5,186.09	\$0.01
601	TEXAS DEPARTMENT OF TRANSPORTATION	279.74	2.36%	11,847	\$11,505,894.30	\$6,761,011.40	\$18,266,905.70	2.90%	\$629,582,065.56	190,902	\$6,661,770,426.70	\$34,896.28	\$0.00
608	TEXAS DEPARTMENT OF MOTOR VEHICLES	6	0.84%	715	\$201,370.30	\$118,448.70	\$319,819.00	0.84%	\$37,998,990.84	6,221	\$58,764,314.95	\$9,446.12	\$0.01
644	TEXAS JUVENILE JUSTICE DEPARTMENT	15.5	0.60%	2,604	\$207,922.00	\$514,549.43	\$722,471.43	0.64%	\$112,557,628.92	14,800	\$25,222,696.55	\$1,704.24	\$0.03
696	TEXAS DEPARTMENT OF CRIMINAL JUSTICE	106.98	0.28%	38,692	\$1,014,238.47	\$3,009,810.11	\$4,024,048.58	0.26%	\$1,537,204,548.24	117,955	\$762,343,765.61	\$6,463.01	\$0.01
701	TEXAS EDUCATION AGENCY	9.5	1.16%	817	\$361,709.55	\$53,293.95	\$415,003.50	0.64%	\$64,917,130.80	4,089	\$164,336,075.62	\$40,189.80	\$0.00
802	TEXAS PARKS AND WILDLIFE DEPARTMENT	40.5	1.34%	3,020	\$1,040,302.80	\$1,088,597.25	\$2,128,900.05	1.38%	\$154,512,896.75	62,807	\$86,162,095.95	\$1,371.85	\$0.02
808	TEXAS HISTORICAL COMMISSION	4	1.90%	211	\$86,723.08	\$127,622.07	\$214,345.15	2.03%	\$10,562,664.24	5,334	\$13,122,960.56	\$2,460.25	\$0.02
809	STATE PRESERVATION BOARD	1.3	0.60%	216	\$18,716.67	\$59,645.55	\$78,362.22	0.94%	\$8,331,169.46	5,796	\$11,513,472.86	\$1,986.45	\$0.01
813	TEXAS COMMISSION ON THE ARTS	0.3	2.14%	14	\$-	\$15,510.52	\$15,510.52	1.83%	\$846,981.12	165	\$114,971.68	\$696.80	\$0.13
TOTAL		1,178	0.81%	144,842	\$37,797,018.00	\$30,520,441.55	\$68,317,459.54	1.03%	\$6,618,921,313.86	808,361	\$11,100,562,005.51	\$13,732.18	\$0.01

FOOTNOTES:

1. FTE calculated based on percentage of employee time estimated by agencies for purchasing and contracting.
2. Agency did not respond to the SB 20 study questionnaire.
3. FTE salary calculated based on salary cost reported by agencies. Total salary costs and FTE totals calculated from employee data supplied by Comptroller of Public Accounts.
4. Transaction totals reported in USAS.
5. Agency 304 SPD and Agency 313 Technology Sourcing Office procure statewide contracts for non-IT and IT commodities and services. These statewide contracts had an estimated value of \$2.5 billion in fiscal 2015 — this doesn't include expenditures by higher education, local governments or other CO-OP members.

NOTE: The percentage of staff time allocated was estimated by some agencies, particularly among agencies that conduct a small number of purchases. In some cases, particularly for agencies that conduct a low number of total transactions and are in the lowest expenditure tier of \$0-\$100,000 in fiscal 15, there seems to be substantial variation in the salary costs per \$1 spent among agencies that would appear to be similar in size and function. Given the relatively small dollar value of these expenditures, the administrative cost of procurement can appear to range significantly, but in the context of all state agency spending, the actual amount spent on purchasing and contracting is minimal.

Sources: Questionnaire responses supplied by participating state agencies (April-May 2016), Texas Comptroller of Public Accounts/RSM

RSM REPORT AND APPENDICES

The following RSM S.B. 20 report
is available as an accessible PDF.

Also, the data represented in
the RSM S.B. 20 report is
available in accessible data form (Excel).

CENTRALIZED PURCHASING STUDY OF TEXAS STATE AGENCIES

TEXAS COMPTROLLER OF PUBLIC
ACCOUNTS

November 18, 2016



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EXECUTIVE SUMMARY

Since being retained by the Texas Comptroller of Public Accounts (CPA) in late March, 2016, RSM US LLP (RSM) has been engaged in a leading practice purchasing study to inform the Comptroller's Senate Bill 20 (SB 20) Study. The team consists of more than 10 professionals, including individuals who have been involved in numerous management consulting, spend analytics, organizational review, and process improvement initiatives with other local and state governments. The team also has direct experience working with Fortune 500 and other leading private-sector companies providing centralized procurement design and implementation services.

Over the past four months, the team has been collaborating with Texas CPA employees at all levels and agencies statewide. The team has also been gathering information from agencies, collecting and analyzing Texas expenditure data, and researching public and private sector purchasing practices.

Through this centralized purchasing study of Texas agencies, RSM provides this final report that details our findings and considerations to inform Texas CPA's evaluation of the feasibility

and practicality of consolidating state purchasing functions as required by SB 20.

Summary of Project

This report was made possible thanks to many individuals under the Texas CPA and those in agencies who participated in the study. RSM is also appreciative of the efforts its project team members who effectively collaborated with Texas CPA and agencies to conduct research and build the report.

The 84th Legislature, under SB 20, charged the Texas CPA to study existing purchasing practices in Texas state government and examine the feasibility and practicality of consolidating state purchasing functions in a report to be published before the 2017 legislative session. The Comptroller's office contracted with RSM (under RFP 214a) to perform data analysis and consulting services in support of the SB 20-mandated centralized state purchasing study.

Overview of Background Materials

For the purpose of this study, background materials were provided by Texas CPA for RSM

to gain an understanding of: SB 20, Texas state agency structures, existing centralized structures (e.g., SPD [previously TPASS] and DIR), and Texas state purchasing and accounting codes.

Data provided by Texas CPA included the following:

- Uniform Statewide Accounting System (USAS) data sets and information
- Centralized Accounting and Payroll/Personnel System's (CAPPS) data sets and information
- Information from Texas Procurement and Support Services (TPASS) (effective June 1, 2016, renamed and split into two separate divisions: the Statewide Procurement Division [SPD] and the Statewide Support Services Division [SSSD])
- Texas Department of Information Resources (DIR) data sets and information
- Other data sets of personnel information, budgets, and contracts.
- Texas Procurement Manual and agency procurement plans

To ensure a broad perspective in the identification of procurement leading practices, RSM's research included both internal and external sources. Background information gathered by RSM informed this study by providing an understanding of existing structures and practices that support contracting and purchasing in Texas.

Methods

During this study, RSM collected purchasing data via a questionnaire submitted to the 108 SB 20 Texas state agencies. There were 101 Texas state agencies that responded answering questions concerning their purchasing personnel and practices, including: staffing numbers, roles, compensation and volume, and value of purchasing by agency and vendor. The personnel data detailed the purchasing staff

qualifications related to their roles for comparison across agencies.

Additionally, benchmarking has been recognized as a leading practice method of comparing similar attributes of one organization to another that leads to superior performance. Unique to the SB 20 study, RSM will present findings through a lens of centralized vs. decentralized procurement. Broadly, these terms can be applied to how state purchasing authority or organizational structures are developed.

Summary of Findings

Summary results are derived from analysis of questionnaires returned by agencies and analysis of expenditure data provided by Texas Comptroller. In addition, RSM conducted procurement research and benchmarking analysis which included benchmarks of salary data for comparable procurement jobs.

Personnel and Procurement Practices by Agencies

As reported by agencies, the overall count of staff involved in contracting, purchasing or both activities for agencies examined was 1,690. Questionnaire comments indicate that current training and certification requirements are a challenge for agencies with small staff levels regardless of spend; however, agency responses indicate extensive state procurement experience for personnel in jobs with greater than 50% allocation towards purchasing. Staff costs vary greatly by agency spend category. Agencies in smaller spend categories have significantly higher staff costs as a percentage of purchase. In many less efficient agencies, staff costs associated to purchasing and contracting are greater than the value of the actual purchase.

The majority (58%) of agencies evaluated had their own contracting and purchasing policies in addition to state guidelines. Further review of procurement plans from agencies and agency-specific procedures may be required to ensure

compliance with Texas guidelines for procurement.

There were 34% of agencies that responded indicating they exercise specific exemptions from Texas contracting and purchasing statutes, rules, policies or procedures. In most cases, exemptions have been granted by Texas Legislature to allow delegated authority for contracting and purchasing activity by individual state agencies.

According to agency responses, almost 80% of agencies have a contracting cycle time of less than two months for commodity purchases over \$25,000. Cycle time is defined as the time from purchaser's receipt of a fully approved requisition to purchase order issuance or contract award. Contracting cycle time is relatively longer for services valued over \$25,000 according to agency responses.

The majority of agencies (75%) reported p-card usage by staff in their agency. The p-card spend in FY2015 was over \$81MM increasing 15% from the prior fiscal year. P-card purchases in general increase risks of fraud and other misuse. There were eight agencies that reported having seemingly large p-card thresholds of \$50,000 or more.

Agencies reported an extremely low rate of transactions that require changes to correct errors made in systems during the initial issuance of the order (e.g., pricing, quantity, receiving documents, miscellaneous errors). The majority (over 90%) of agencies reported use of the USAS system. The rollout of CAPPs is underway with 10% of agencies indicating they use CAPPs for procurement.

Agencies were asked to self-assess the current effectiveness of contracting and purchasing practices in place at their agency. Agencies reported in large that they are "Doing well" (75%) or have "Average" (22%) contracting and purchasing practices. The relatively small amount of agencies indicating their agencies

"Could be better" (3%) offered that they might improve in procurement/strategic sourcing (bidding, RFP, etc.), contracting and contract management, vendor performance management, vendor risk management, accounts payable, budgeting, and cost management/cost savings.

Texas Expenditure Data

Detailed data analysis of expenditures for all in-scope state agencies is an important key to identifying potential opportunities for improvement of the purchasing and contracting functions statewide. The basis of this data analysis is 2014-2015 USAS expenditure data that has been supplemented with available CAPPs, SPD (previously TPASS), CCG, DIR, and agency provided contract data sources.

The complexity of goods and services being procured appears to closely mirror the total expenditures for each agency which is indicated by the increase in average transaction size. The number of vendors used by an agency also varies widely across the state with as few as 3 vendors used in a fiscal year to as many as 10,500, with the average vendor spend for an agency ranging from \$902 to as much as \$1.3MM. Consolidation of vendors typically yields preferential pricing and centralized purchasing achieves potential gains in efficiency and expertise.

Over the previous two years, capital projects (Highway and other) represent 45.6% of all state expenditures while Professional Services represents an additional 22.8%. The combined 68.4% represents expenditures that are generally complex and large in nature and require specialized knowledge to perform the purchasing and contracting for these services.

The current systematic ability to accurately and effectively capture contracted spend is limited. An analysis shows that for the fiscal year 2015, 6.21% of all agency expenditures were from TxSmartBuy. An analysis of in scope SB 20

agencies that have had CAPPs financials implemented (functionality allowing agencies to input contract information) shows a closer representation of the amount of contracted annual spend by agency.

This analysis of spend under management shows that the majority (~70%) of all spend within the SB 20 agencies is with a vendor that has at least one contract in place. Of the ~70% managed spend, 44% is performed by individual agencies with the remaining 27% performed by a central purchasing agency.

On average, the in-scope state agencies' expenditures on goods and services represent 11% and 10% of all funds expenditures for 2014 and 2015 respectively. Agencies span between less than 1% to over 72% spent on goods and services compared to all funds expenditures.

Procurement Research and Benchmarking

In the current structure, the Texas State Legislature appropriates funds for operating Texas government. The Federal Government also appropriates funds and provides grant money, the conditions of which shape certain procurements in Texas. State and federal law provides additional parameters for procurement, and certain state law outlines purchasing authority. Today's agencies with centralized authority employ similar procurement methods under separate authorities. Delegated authority exists to establish contracts for purchases of commonly used goods and services by state agencies and local governments. This decentralized structure does limit the Comptroller's ability to mandate agencies to follow the best practices outlined in the Texas Procurement Manual and Contract Management Guide.

Existing research indicates various procurement attributes are affected by authority and organizational structure. General comments related to centralized procurement challenges:

- CPO has authority and resources necessary to develop, execute, and enforce a centralized procurement strategy.
- Recognition that centralized procurement organizations do not possess all of the diverse knowledge of all State agencies.
- Recognition that a Centralized purchasing organization is a service provider and needs to delight their customers.
- Existence of SLA and cost effectiveness management across all shared services.

RSM conducted analysis of salaries including examination of comparable public and private sector salary data to identified state positions and salary ranges for benchmarking. In performing this study, RSM utilized their experience working with similar state governments and private sector organizations, as well as current survey data from our Economic Research Institute (ERI) Salary Assessor Database. Our comparison of the base salary pay of the same or the closest matched position in the ERI database has resulted in the observations illustrated in this report.

Conclusions and Recommendations

In this report, RSM offers findings derived from analysis of data and discussions throughout the study. Recommendations and proposed alternative solutions for consolidating procurement per SB 20 are offered based upon conclusions from analysis of questionnaires returned by agencies, analysis of expenditure data provided by Texas Comptroller, and procurement research and benchmarking analysis of leading practices.

Recommendations of high value strategic sourcing categories for consolidation include:

- Review process for purchasing and contracting professional services
- Analyze spend for object codes "Supplies/Materials - Agriculture,

Construction and Hardware” and “Parts – Furnishings and Equipment” for areas of additional consolidation

- Expand centers of knowledge or agency specialties
- Enable end-to-end procurement cycle visibility

The proposed alternatives offered in the report to demonstrate the range of options for centralized purchasing are:

- Pure Centralized
- Centralized with Delegated Authority
- Decentralized with Central Oversight

For each potential alternative, RSM worked with Texas CPA staff to develop the alternative and then provided analysis of pros/benefits and cons. These alternatives are offered for further consideration as Texas CPA prepares the SB 20 report.

Consolidating state purchasing functions into fewer state agencies or one state agency would potentially be a complex undertaking. In this report, RSM outlines some key considerations for successful consolidation of purchasing and/or centralized procurement authority and provides our experienced perspective of critical steps to implement.

Next Steps

This Purchasing Study was to source data and comparable research to inform requirements of Section 403.03057 of the Texas Government Code as adopted in SB 20. The Comptroller will next examine the feasibility and practicality of consolidating state purchasing functions and examine the cost savings.

Per SB 20, the Comptroller’s report of findings will include:

- Projected cost savings in consolidating state purchasing
- Processes to implement consolidation
- Lists of state agencies with purchasing responsibilities
- Total cost to Texas of purchasing responsibilities for each state agency

Results from the SB 20 Study will be submitted by the Comptroller to the Texas Legislature. The 85th Texas Legislature will next consider enactment of statutes and codes to reform state agency contracting by clarifying accountability, increased transparency, and ensuring a fair and competitive process.

INTRODUCTION

In this section, initial discussion of the objectives, approach, and participants frames the purchasing study. The intent of this study is to analyze, compare, and compile information from the Comptroller's staff, Texas state agencies and sources of benchmarks into a completed study of purchasing by Texas state agencies.

Section contents:

- Acknowledgements and thanks
- Overview of Texas SB 20
- Objectives of the Comptroller's SB 20 Study
- Approach for the Centralized Purchasing Study of Texas State Agencies
- Agencies involved in the Texas SB 20 Study
- Definition of terms
- Assumptions and limitations

Acknowledgements

This report was made possible thanks to many individuals under the Texas CPA and those in agencies who participated in the study. RSM would like to thank everyone who contributed during the purchasing study, especially:

- **Robert Wood**, Associate Deputy Comptroller
- **Korry Castillo**, Data Analysis and Transparency Director
- **Bobby Pounds**, Statewide Procurement Division Assistant Director
- **Gerard MacCrossan**, Data Analysis and Transparency, Senior Research Analyst

RSM is also appreciative of the efforts of the following project team members who effectively collaborated with Texas CPA and agencies to conduct research and build the report, including:

- Steve Mermelstein, RSM Director – who led the effort to build this report
- Christina Churchill, RSM Principal
- Gary Broils, RSM Manager
- Michael Shedek, RSM Supervisor
- Joel Abram, RSM Supervisor
- James Snyder, RSM Senior Associate
- Jonathan Sukup, RSM Associate
- Dana Jones, Luna Data Solutions
- Joey Longley, Luna Data Solutions
- Kent James, Luna Data Solutions

Overview of Texas SB 20

Every year, State of Texas entities purchase hundreds of millions of dollars of goods and services using centralized contracts established by Texas Procurement and Support Services (TPASS) (effective June 1, 2016, renamed and split into two separate divisions: the Statewide Procurement Division [SPD] and the Statewide Support Services Division [SSSD]) and the Department of Information Resources. But the majority of state purchasing is conducted by individual state agencies using one-time contracts.

As a result, the 84th Legislature charged Texas CPA to study existing purchasing practices in Texas state government, to examine the feasibility and practicality of consolidating state purchasing functions, and to provide a report to be published before the 2017 legislative session.

The Comptroller aims to present realistic opportunities for the Legislature to enact effective reforms to the State purchasing process, in light of existing and ongoing efforts such as the consolidation of state agencies that provide health and human services, the ongoing implementation of CAPPs (Centralized Accounting and Payroll/Personnel System), and statutes that regulate state agency spending and authorize certain delegated spending.

Objectives of the Comptroller's SB 20 Study

Senate Bill 20 includes six charges that examine the feasibility and practicality of consolidating state purchasing functions. The study must examine the cost savings to the State that may be achieved through:

- abolishing offices or departments of state agencies that have a dedicated office or department for purchasing;
- consolidating or reducing the number of vendors authorized to contract with this state to allow this state to better leverage its purchasing power;
- a detailed projection of expected savings or costs to this state in consolidating state purchasing;
- a report on the process for the legislature or the executive branch to implement the consolidation of state purchasing;
- a list of state agencies, including dedicated offices or departments in

those agencies, with purchasing responsibilities; and

- the total cost to this state of the purchasing responsibilities for each state agency, including the dedicated office or department in the agency with purchasing responsibility.

Other aspects of SB 20 implementation relate to increased scrutiny of and reporting for contracts that expend public funds.

Centralized Purchasing Study of Texas State Agencies

The Comptroller's office contracted with RSM U.S. LLP. (under RFP 214a) to perform data analysis and consulting services in support of the SB 20-mandated centralized state purchasing study.

Figure 1 provides an overview of the methodology to guide RSM's activities during the purchasing study. This custom methodology is divided into five phases: Launch, Discover, Collect Data, Analysis, and Report. RSM's

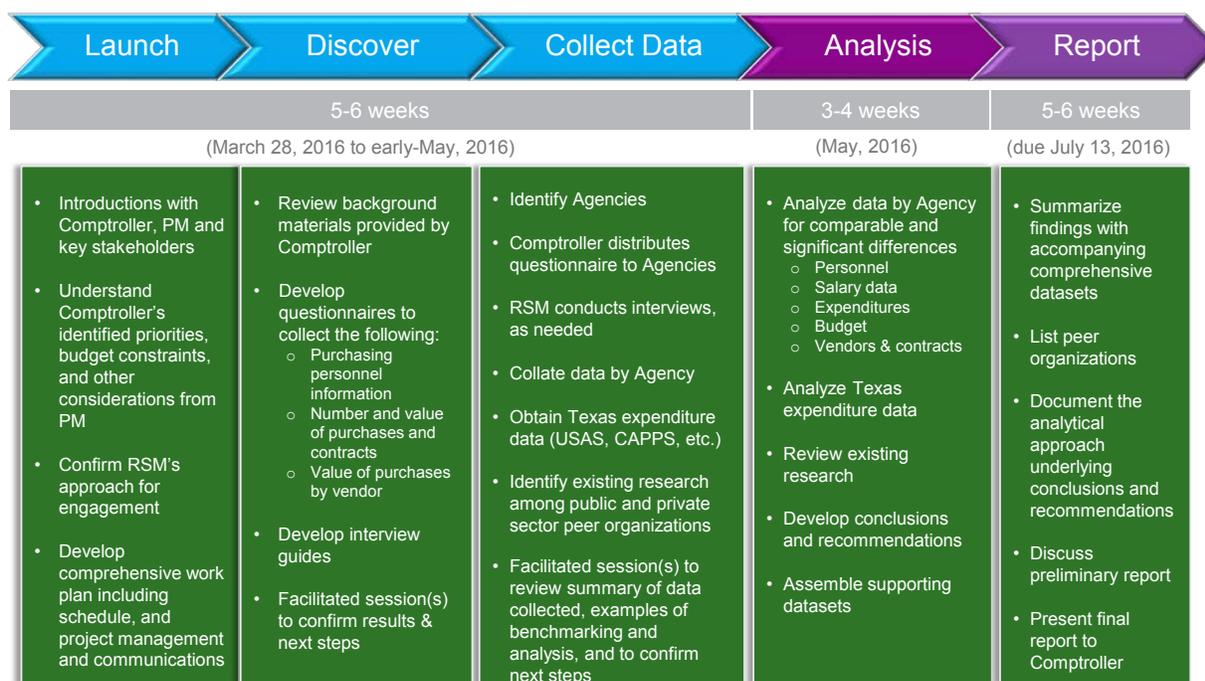


Figure 1. RSM's project approach for centralized purchasing study.

project delivery methodology was adapted to fully address the Comptroller's needs relevant to the services provided.

Between March and July 2016, RSM analyzed fiscal 2014 and fiscal 2015 expenditure data of 108 state agencies. A survey was developed and piloted with selected agencies for feedback. RSM and the Comptroller then surveyed 108 agencies to determine the number of personnel in various job classifications that are involved in the procurement and purchasing processes. The questionnaire completed by 101 (of the 108 SB 20) agencies did not require personally identifying information for procurement and purchasing personnel employed by state agencies. All agency purchasing transaction data that was analyzed is considered public under public information laws.

Texas SB 20 Agencies

See Appendix A for the list of 108 state agencies that are selected for the Comptroller's SB 20 study. The 108 state agencies selected for the study are those that use either the Uniform State Accounting System (USAS) or the Centralized Accounting and Payroll/Procurement System (CAPPS) (the successor system for USAS). The list of agencies in the SB 20 study excludes institutions of higher education, which are not required to use the CAPPS system and receive all or partial funding from sources not appropriated by the Legislature.

Definition of Terms

Competitively Sourced: Competitively sourced goods and services are purchased under a contract entered into after the process to invite or advertise for vendors to engage in a competitive bidding process for preferential pricing.

Contracting: Contracting is defined as the process to enter into a formal agreement for goods and/or the delivery of services. The contracting process typically involves analysis of requirements, evaluating possible vendors,

contract negotiation to select a vendor, and managing the vendor contract. Contract management practices and reporting of contracts across state government agencies ensure accountability and transparency.

Interagency: Purchasing where one agency either places an order directly against another agency's contract or uses the contracting services of another agency to obtain supplies or services. Interagency contracting can provide a number of benefits to agencies through streamlining the procurement process and achieving savings by leveraging the State's collective buying power.

Managed Spend: Purchases of goods or services under contract. This may be purchases under a managed contract for commodities or services where the contractee identified requirements, evaluated vendors and negotiated a contract. Managed spend also includes purchasing based on a solicitation that established a one-time contract. A purchase is considered "managed" if from a vendor with a contracted relationship (associated through SPD [previously TPASS], CCG, DIR, or TxSmartBuy). There may be cross-over spend not under contract from the vendor; however, all spend from that vendor is considered "managed" for the purpose of this study.

Primary Contractee: The primary contractee is the agency who enters into the contract with a vendor. Other agencies may purchase goods and services from the vendor; however, the primary contractee agency is the primary point of contact for the State.

Purchasing: Purchasing is the process to acquire goods and services under a pre-existing contract or using delegated authority to buy items not on contract. The purchasing process broadly includes steps from issuing the purchase order through receipt of ordered goods and services.

Assumptions and Limitations

Identification of assumptions and limitations for this study provides an informed understanding of the extent to which findings from analysis of data collected are relevant to all agencies studied.

- Texas expenditure data (USAS, CAPPS, SPD [previously TPASS], DIR and other datasets) provided by Comptroller were complete and of adequate quality.
- Agencies completed the questionnaire answering questions openly and honestly.
- Personnel related questions in the questionnaire accurately captured characteristics (salaries, position type, salary, time allocation towards contracting and purchasing, experience and certifications) of contracting and purchasing staff.
- Data collected from each agency's response to the questionnaire helped support compiling datasets and analysis will help to inform the SB 20 Study.
- Many factors influence the growing phenomena of centralizing procurement for more effective purchasing that yields cost savings and address collaboration issues. The concentration of this study was to collect data to evaluate the feasibility and practicality of consolidating state purchasing functions, as required by SB 20.
- The results of the study may help Comptroller better understand: agency personnel engaged in contracting and purchasing functions, contracting and purchasing practices of each agency studied, organizational structures of each agency's purchasing division/office and contract management function, key agency vendors, and purchases by personnel.
- 101 of the 108 SB 20 agencies responded to the questionnaire which represents 99.9% of spend captured.
- When studied, HHS agencies only use CAPPS for HR purposes and not contracts – purchases by personnel were not captured (no submission).
- Available data limited the ability to accurately and effectively capture contracted spend through data provided by Texas CPA and agency data captured from questionnaires.
 - USAS does not capture contracts associated with specific transactions
 - Visibility into the total value of state contracting difficult to determine without a physical review of all invoices/POs.
- There were extensive processes to query and extract data from sources; however, the ability to tie data sets together using common attributes was limited.

BACKGROUND

For the purpose of this study, background materials were provided by Texas CPA for RSM to gain an understanding of: SB 20, Texas state agency structures, existing centralized purchasing structures (e.g., SPD [previously TPASS] and DIR), and Texas state purchasing and accounting codes.

Section contents:

- Requirements of Texas SB 20
- Data Provided by Texas CPA
- Texas State Agency Structure with a Particular Focus on Agencies Studied
- Existing Centralized Purchasing Structures
- Review of Existing Research for Centralized Purchasing
- Integration of Background Materials to Inform Study

Requirements of Texas SB 20

Texas CPA is required to conduct a SB 20 Study examining the feasibility and practicality of consolidating state purchasing functions into fewer state agencies or one state agency. The SB 20 Study includes preparing a report on findings to satisfy requirements of Section 403.03057 of the Texas Government Code as adopted in SB 20 —

<http://www.capitol.state.tx.us/tlodocs/84R/billtext/html/SB00020F.htm>.

The Texas CPA's report on the findings of the SB 20 Study, will include the following:

- (1) a detailed projection of expected savings or costs to this state in consolidating state purchasing;
- (2) a report on the process for the legislature or the executive branch to implement the consolidation of state purchasing;
- (3) a list of state agencies, including dedicated offices or departments in

those agencies, with purchasing responsibilities; and

- (4) the total cost to this state of the purchasing responsibilities for each state agency, including the dedicated office or department in the agency with purchasing responsibility.

As authorized under Section 403.03057 of the Texas Government Code as adopted in SB 20, Texas CPA contracted with RSM to source data and comparable research to inform the SB 20 Study.

Data Provided by Texas CPA

Texas CPA provided RSM background information to gain an understanding of: SB 20, Texas state agency structure with a particular focus on the agencies that will be studied, existing centralized purchasing structures (e.g., SPD [previously TPASS] and DIR), and Texas state purchasing and accounting codes.

Data provided by Texas CPA included the following:

USAS

Uniform Statewide Accounting System (USAS) captures accounting activities supplied by state agencies and institutions of higher education.

Data sets and information provided:

- CPA Manual of Accounts
- USAS reference documents
- USAS layout and codes
- USAS raw data – FY14 & FY15
- 108 Agencies for FY14 – 109 for FY15

CAPPS

Centralized Accounting and Payroll/Personnel System's (CAPPS) implementation provides an ERP financials and HR/payroll solution to Texas using PeopleSoft 9.2.

Data sets and information provided:

- CAPPs Governance
- CAPPs dataset definitions
- CAPPs raw data – FY14 & FY15
- 12 Agencies for FY14 - 16 for FY15

Texas Procurement and Support Services (TPASS)

Texas Procurement and Support Services (TPASS) was a cooperative purchasing program providing the State of Texas volume purchasing power. Effective June 1, 2016, TPASS was renamed and split into two separate divisions: the Statewide Procurement Division (SPD) and the Statewide Support Services Division (SSSD).

Data sets and information provided:

- TPASS links to state purchasing contracts
- TPASS active contracts
- TxSmartBuy exports
- CCG contracts spend
- Valid HUBs

DIR

The Texas Department of Information Resources (DIR) provides technology leadership, solutions, and value to Texas.

Data sets and information provided:

- 2014 Biennial Performance Report
- 2016-2020 State Strategic Plans for Information Resources
- PC Life Cycles
- DIR Customer Contracts

Other data sets and information provided by Texas CPA

- Personnel data – jobs, salary & certifications
- Legislative Budget Board contracts & budget
- Texas Procurement Manual
- 2015 & 2016 procurement plans

Centralization in Texas

The State of Texas has a long history of adjusting what and how agencies execute the administration of their function to ensure the best value for tax payers. One example of this occurred in 1977 when Texas Legislature created the Sunset process.

According to Sunset in Texas, “The Legislature relies on the Sunset process to regularly shine a light on state agencies and programs to see if they are still relevant in a changing world, and if so, how they can do their jobs better.” (Sunset Advisory Commission 2015 - 2017, Sunset in Texas). SB 20’s legislative charge to review centralization opportunities within the procurement function across agencies is consistent with this and other initiatives within the state to ensure tax payers are receiving the best value.

Agencies and organizations are normally centralized along functional lines to better ensure cost efficiencies, economies of scale, program focus, and accountability in the execution of their mission. These functional lines may be defined in many ways including:

- Agencies providing a service to other governmental bodies
- Agencies providing a service to the public (businesses, non-profits, individuals, etc...)

Having a single centralized state agency responsible for professional licensing and registration, transportation, criminal justice, and information technology/resources is a well-recognized best practice. Additionally, having a single centralized agency responsible for vendor payments for all state agencies is a common structure found across States. However, there is significant debate on where and to what degree centralization achieves the best value in a functional area like procurement.

The following paragraphs describe several examples of existing centralized structures in

Texas providing information about the agencies, how they were centralized, impacts and outcomes:

Department of Information Resources (DIR)

DIR's mission is to provide technology leadership, solutions, and value to support all levels of Texas government in fulfilling their core missions. DIR provides a range of IT and telecommunications products and services to state agencies and eligible voluntary customers, including local governments and education.

DIR products and services include:

- Data Center Services
- Cooperative Contracts
- Telecom
- Texas.gov
- Technology Sourcing Office
- Information Security
- Technology Planning and Policy

DIR provides various centralized services that saved taxpayers over \$275 million in 2014 through cooperative contracts. That said, there are various exemptions to DIR's centralized services including state agency purchases under \$50,000 and institutions of higher education, which are decentralized.

Statewide Procurement Division (SPD)

Effective June 1, 2016, the Statewide Procurement Division (SPD) was renamed and split from TPASS. This division includes the following areas:

- Statewide Contract Development
- Statewide Contract Management
- System Support (TxSmartBuy, Vendor Performance Tracking System, etc.)
- Training & Certification
- Contract Review & Delegation (CAT-RAD)
- Texas Multiple Award Schedule (TXMAS)
- Cooperative Purchasing Program

- Centralized Master Bidders List (CMBL)

Council on Competitive Government (CCG) rolled into Statewide Contract Development, now under SPD.

Statewide Support Services Division (SSSD)

Effective June 1, 2016, the Statewide Support Services Division (SSSD) was renamed and split from TPASS. This division includes the following areas:

- Statewide Historically Underutilized Business (HUB) Program
- Statewide Travel Program
- Statewide Mail Services
- Office of Vehicle and Fleet Management (OVFM)

SSSD does not have a procurement function. It manages contracts associated with its areas, but the solicitation and contract development is conducted by SPD.

Other Examples of Centralization in Texas

In addition to the examples of formal centralized structures provided above, Texas also has examples of informal centralization related to procurement support and inter-agency cooperation. Examples of this include:

- The Office of Court Administration (AGY-212) provides centralized procurement support for the Office of State Prosecuting Attorney (AGY-213).
- The Office of Attorney General (AGY-302) provides centralized procurement support for the Office of State Risk Management (AGY-479).

Review of Existing Research for Centralized Purchasing

To ensure a broad perspective in the identification of procurement leading practices, RSM's research included both internal and external sources.

Internal vs. External Sources

The term "Internal" in this context refers to sources of information within Texas state government. Internal sources of benchmarking were used to compare the procurement activities performed across separate State of Texas Agencies. This approach is consistent with benchmarking leading practices to identify internal practices that could be leveraged across state agencies to achieve higher performance.

The term "External" in this context refers to sources of information outside of Texas state agencies. External sources of benchmarking were used to broadly look both inside the public sector across other states and outside across the private sector industries to identify the leading practices.

Examples of Internal Sources for Research and Benchmarking

The following are examples of internal sources of research and benchmarking information:

Information Provided by Texas Agencies

- Contracting and purchasing staff during fiscal years 2014-2015, including: payroll ID, job classification title, employment status, current salary, and percentage of time spent on purchasing tasks
- Contracting and purchasing personnel's procurement tenure and related certifications (CTPM, CTCM, CPPO, CPPB, CPCM, etc.)
- Contracting and purchasing policies in addition to state guidelines and exemptions from State of Texas contracting or purchasing statutes
- Information about P-card usage
- Financial, purchasing or contract management systems used
- Assessment of the effectiveness of contracting and purchasing practices and performance metrics

- Up-to-date organizational charts of the agency's purchasing division/office and contract management staff
- Vendors that the agency spent more than \$25,000 with in FY2014 or FY2015, all vendors providing goods and services critical to the agency's operations, and identifying vendors for whom the agency is the primary point of contact for the state
- By purchaser, the number and value of all executed contracts and purchases over \$25,000 for fiscal years 2014 and 2015

Data Provided by Texas Comptroller

- Purchasing history data (USAS, CAPPs, etc.)
- RSM State Contracting and Purchasing Questionnaire
- Organizational structure/supporting the Agencies procurement activities
- State of Texas Procurement Manual

Examples of External Sources for Research and Benchmarking

The following are examples of external sources of research and benchmarking information:

Existing Research from RSM

RSM is a global consulting organization having an existing base of local and national resources with knowledge about how the Texas state government works and purchasing practices of other states. RSM also has extensive knowledge obtained from prior spend analytics and purchasing studies conducted for large and mid-sized companies, states and local governments.

Other States' Websites

Information was found on the Websites of other states identified as best in class related to procurement practices, including:

- Georgia
- http://pur.doas.ga.gov/gpm/MyWebHelp/GPM_Main_File.htm
- Virginia
- https://eva.virginia.gov/library/files/APS/PM/APSPM_ALL.pdf
- Minnesota
- <http://www.mmd.admin.state.mn.us/pdf/alpmanual.pdf>

Additional information was found on the websites of states comparative to Texas based on Gross Domestic Product, including:

- California
- <http://www.dgs.ca.gov/pd/Home.aspx>
- New York
- <http://www.ogs.ny.gov/bu/pc/>

National Association of State Procurement Officials (NASPO)

NASPO is a non-profit association dedicated to advancing public procurement through leadership, excellence, and integrity. NASPO represents Public Sector procurement practices across all 50 States, District of Columbia, and Puerto Rico and provides thought leadership in the identification of procurement benchmarking and best practices.

American Productivity & Quality Center (APQC)

APQC collects data from procurement departments and provides an Open Standards Benchmarking database with results from those surveyed responses. Survey responses are paid assessments for to help improve the responding organization.

National Institute of Governmental Purchasing (NIGP)

NIGP develops, supports and promotes the public procurement profession through premier educational and research programs,

professional support, technical services and advocacy initiatives that benefit members and constituents since 1944. These surveys are important because they provide a landscape of the existing practices in public procurement.

Chartered Institute of Procurement and Supply (CIPS)

CIPS promotes and develops high standards of professional skill, ability and integrity among all those engaged in purchasing and supply chain management. Together with NIGP they produce NIGP's global best practices to provide definitions, context, and guidance on relevant public procurement topics. They result from collaboration and input from content experts and are subject to public review. The goals are: To provide useful and applicable guidance for public procurement professionals and to elevate the procurement profession.

The Governing Institute

The Governing Institute is a research and reporting organization that has provided State and local leaders with the non-partisan information, insight and intelligence needed to govern effectively, since 1987. Governing used input from leaders of NASPO, NASCIO (Nat Assoc. of CIO), NIGP to survey and rank 39 responding State procurement offices according to 10 different categories. This is the primary source that ranks the performance of the States, and therefore identifies benchmark candidates.

ABA 2000 Model Procurement Code

American Bar Association developed the 2000 Model Procurement Code which addresses the full range of issues arising in the procurement of supplies, services, and construction, including emerging models for long term procurement of so-called "Public Private Partnerships". These principles have been adopted by 17 states and many hundreds of local jurisdictions, and are designed to provide public officials, vendors and contractors, and taxpayers with procurement processes with integrity and value for money.

Integration of Background Materials to Inform Study

Background information gathered by RSM will inform the study by providing an understanding of existing structures and practices that support contracting and purchasing in Texas.

Integration of background materials to inform the study includes the following:

- Information provided by Comptroller's staff and Texas state agencies provides

- an understanding of existing structures and purchasing practices in Texas
- Collecting and analyzing Texas expenditure data (USAS, CAPPs, etc.) to compute the dollar amount and volume of agencies' expenditures on individual goods and services
- Researching public and private sector purchasing practices for benchmarking

METHODS TO COLLECT AND ANALYZE DATA FOR THE PURCHASING STUDY

This section provides an overview of the methods used to collect and analyze data for the Purchasing Study. Examples are provided of concepts measured and how the data collected about agencies is presented for benchmarking and analysis.

Section contents:

- Data collection procedures
- Concepts to measure in questionnaire for agencies
- Analysis of Texas expenditure data
- Research and benchmarking approach

Data Collection Procedures

For the purposes of the Purchasing Study, information was securely collected from agencies using questionnaires distributed by Texas Comptroller and Texas expenditure data (USAS, CAPPs, etc.) was also provided by Texas Comptroller to determine dollar amount of agencies' expenditures on individual goods and services. In addition, existing research of comparable public and private sector organization was acquired from various sources for benchmarking and analysis.

Concepts to Measure in Questionnaire for Agencies

During this study, RSM collected purchasing data via a questionnaire submitted to the 108 SB 20 Texas state agencies. There were 101 Texas state agencies that responded answering questions about their purchasing personnel and practices, including: staffing numbers, roles, compensation and volume, and value of purchasing by agency and vendor. The personnel data detailed the purchasing staff qualifications related to their roles for comparison across agencies.

Concepts to measure from the questionnaire, include:

- Number of staff and salaries paid by job title
- Percentage of time spent on contracting and purchasing tasks
- Training and certifications of personnel
- Contracting and purchasing policies with agencies that exercise exemptions from state guidelines
- Contracting cycle time averages
- P-card usage
- Financial, purchasing or contract management systems used
- Effectiveness of contracting and purchasing practices
- Contracting or purchasing metrics

Analysis of Texas Expenditure Data

Analysis of Texas expenditure data (USAS, CAPPs, etc.) was utilized to determine dollar amounts of Agencies' expenditures on individual goods and services.

Analysis of Texas expenditure data included:

- Expenditures identifying value and number of purchases by number of purchasing full time employees
- Purchasing expenditures compared to all funds by Agency and state all funds
- Managed spend by object code/commodity code
- Purchases from vendors
- Agency-by-Agency staffing comparison by role

For the purposes of the SB 20 report, agencies have been categorized into distinct expenditure tiers based on each agency's total spend on goods and services for the 2015 fiscal year. In any organization, there is a close correlation between total expenditures and complexity of procurement, and these spend tiers were selected to show the highly varied stratification of purchasing and contracting the 108 in scope agencies exist in today. For FY2015, individual

agencies spent as little as \$11,500 to as much as over \$6.6 billion. Table 1 shows the expenditure classification as well as the number of agencies that exist in that tier. A complete list of the 108 agencies in scope for SB 20 and their tiers can be found in Appendix A.

Agency Tier Spend Level	Number of Agencies with Tier	Total FY2015 Transactions	Total FY2015 Spend
Under \$100K	29	3,179	\$1,465,453
\$100K - \$1MM	27	11,476	\$11,137,337
\$1MM - \$10MM	21	27,963	\$74,298,740
\$10MM - \$100MM	21	196,459	\$864,910,487
Over \$100 MM	10	578,177	\$10,165,234,765
Grand Total	108	817,254	\$11,117,046,781

Table 1. Agency expenditure tiers.

Research and Benchmarking Approach

Benchmarking has been recognized as a leading practice method of comparing similar attributes of one organization to another that

lead to superior performance. These attributes are often consolidated into the following types of benchmarking:

- Strategic benchmarking
- Performance benchmarking
- Process benchmarking

Unique to the SB 20 study, RSM presents findings through a lens of centralized vs. decentralized procurement. Broadly, these terms can be applied to how State purchasing authority or organizational structures are developed.

The graphic in Figure 2 shows the approach used by RSM to identify sources of leading practices which were used in the development of opportunity recommendations for the State of Texas.

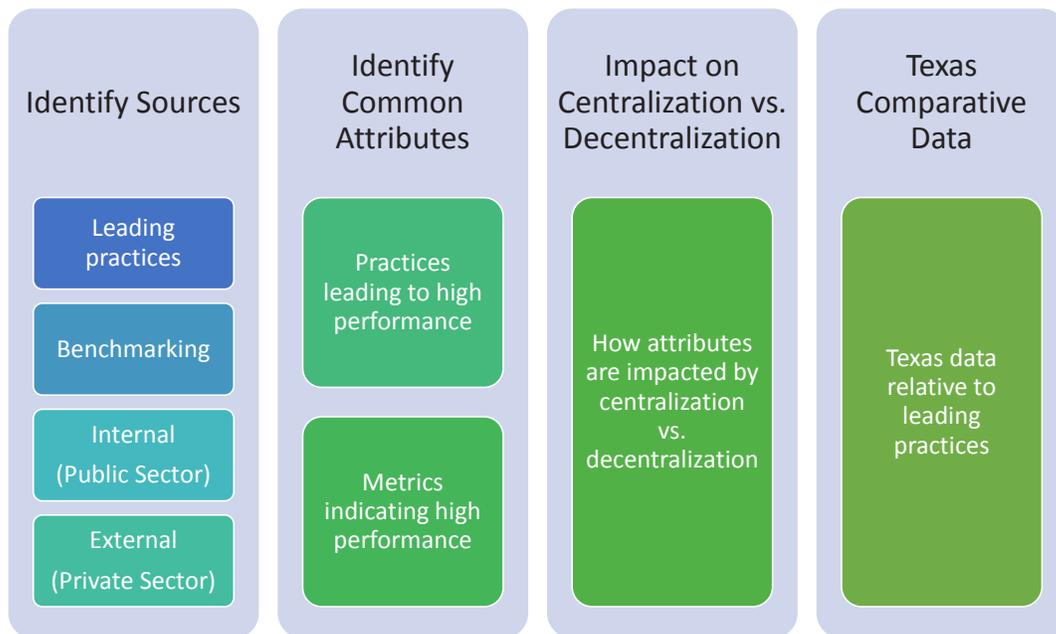


Figure 2. Research and benchmarking approach.

SUMMARY OF DATA COLLECTED FROM THE PURCHASING STUDY

This section provides a summary of data collected during the Purchasing Study. Summary results are derived from analysis of questionnaires returned by agencies, analysis of expenditure data provided by Texas Comptroller, procurement research and benchmarking analysis, and through benchmarks of salary data for comparable jobs.

Section contents:

- Questionnaires from agencies
- Summary results from analysis of Texas expenditure data
- Procurement research and benchmarking analysis
- Comparable salary data

Analysis of Personnel and Procurement Practices by Agencies

List of Agencies

Listings of agencies involved in the Purchasing Study and those agencies not part of SB 20 are provided in the appendix.

Summary of Agency Staffing and Costs for Contracting and Purchasing

Staffing related to contracting and purchasing was analyzed from the following perspectives:

1. The total count of staff involved in contracting, purchasing or both activities
2. The count and percentage of staff time towards contracting activities
3. The count and percentage of staff time towards purchasing activities

The agencies were grouped by spend category for analysis of patterns to provide insights regarding staffing (see Figure 3).

The overall count of staff involved in contracting, purchasing or both activities for agencies

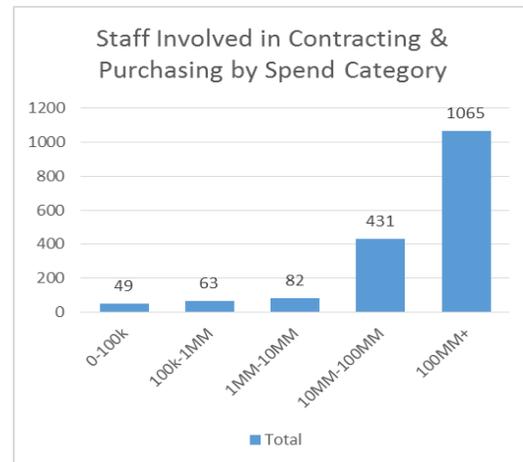


Figure 3. Procurement staff.

examined was 1,690. The number of staff increases in relation to agency spend; however, there were agencies across all spend categories operating on a few resources or fractions of FTEs.

Per the State of Texas Procurement Manual all agencies are required to have staff trained (\$0 - \$25K) and in some cases certified (>\$25.01K) to support their contracting and purchasing activities. There are 44 agencies or 43% of the agencies studied that have less than 1 FTE supporting their contracting and purchasing activities.

Questionnaire comments indicate that current training and certification requirements are a challenge for agencies with small staff levels regardless of spend. This one size fits all approach to training and certification for agencies that vary greatly may be an opportunity for further study.

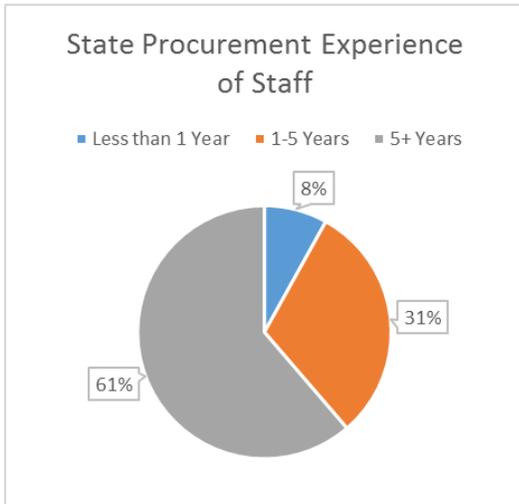


Figure 4. State procurement experience.

Agency responses indicate extensive state procurement experience for personnel in jobs with greater than 50% allocation towards purchasing (see Figure 4). For personnel in jobs with greater than 50% allocation towards purchasing, agencies responded 8% have less than 1 year experience, 31% have 1-5 years of experience, and 61% have over 5 years of experience.

The number of staff and associated annual salary costs also increase in relation to agency spend. The overall staff costs were calculated using the percentage of time allocated towards contracting and purchasing activities and each employee’s annual salary. The annual cost associated with support of contracting and purchasing activity based on agency responses is approximately \$67MM.

The chart in Figure 5 shows the distribution of costs across agency spend tiers. Total costs associated with contracting are approximately \$40.5MM (60.5%) and \$26.5MM (39.5%) for purchasing activities.

Staff Involved and Percentage of Time Spent on Contracting and Purchasing Tasks

Agency responses indicate 1,274 staff across agencies examined are involved in contracting activities. The distribution across agency spending tiers are provided in Figure 6. The graphic illustrates for each spending tier the average time allocation for staff involved in contracting. The overall average allocation across agencies examined for time on contracting activity was 50.19%. Staff from

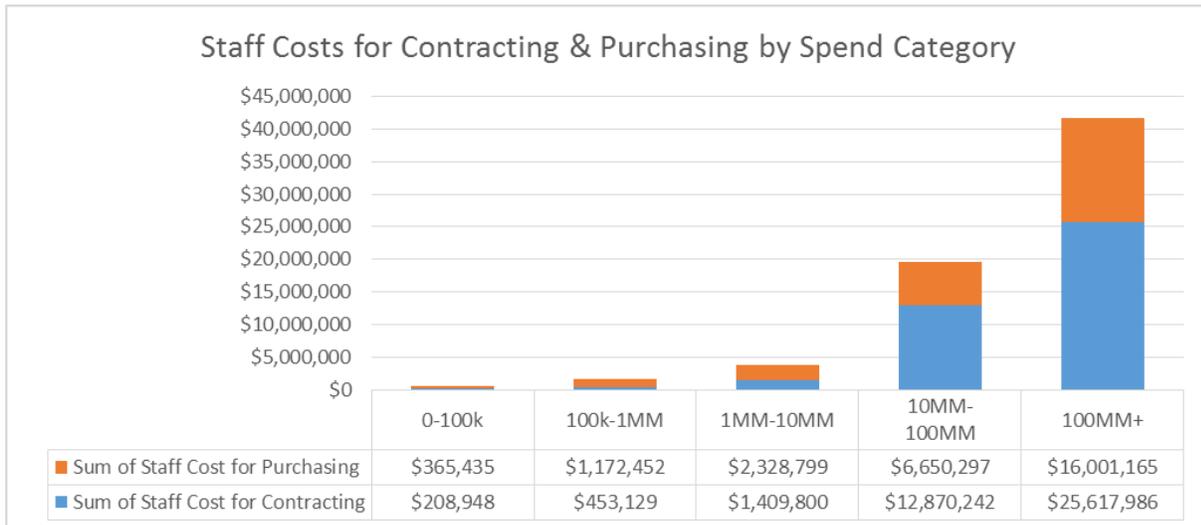


Figure 5. Staff costs for procurement.

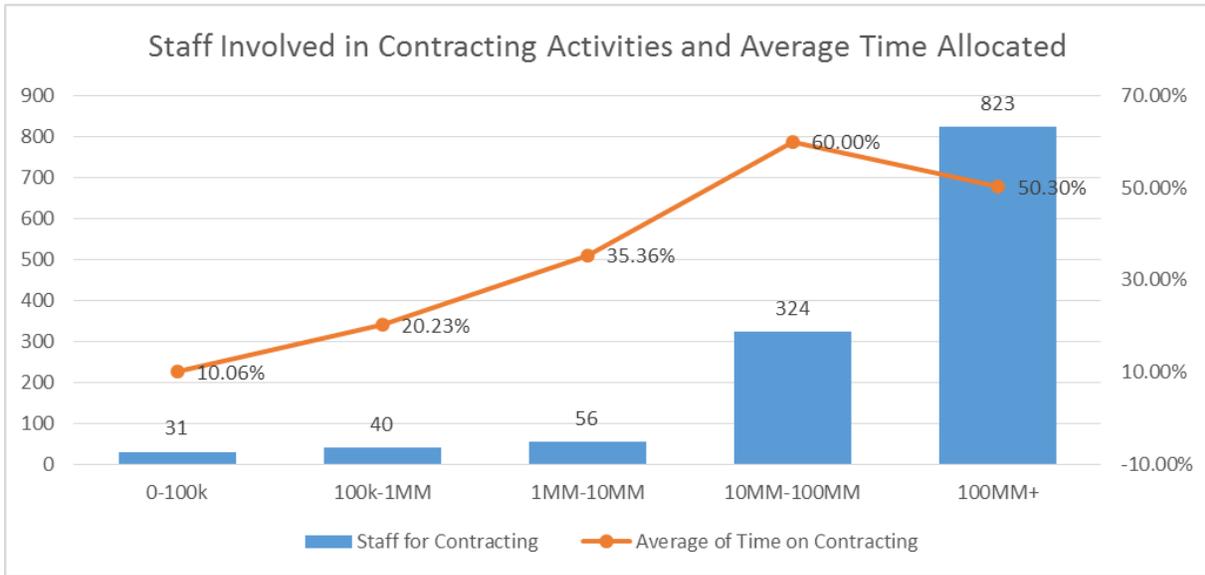


Figure 6. Staff involved in contracting activities.

agencies with annual spend totaling over \$1MM spent time above the average for contracting. Staff from agencies with annual spend under \$100K spent minimal time on contracting activities.

activities. The distribution of staff and average time allocation toward purchasing by spending tier are provided in the Figure 7. The overall average allocation across agencies examined for time on purchasing activity was 61.00%. Staff from agencies with annual spend totaling over

Agency responses indicate 861 staff across agencies examined are involved in purchasing

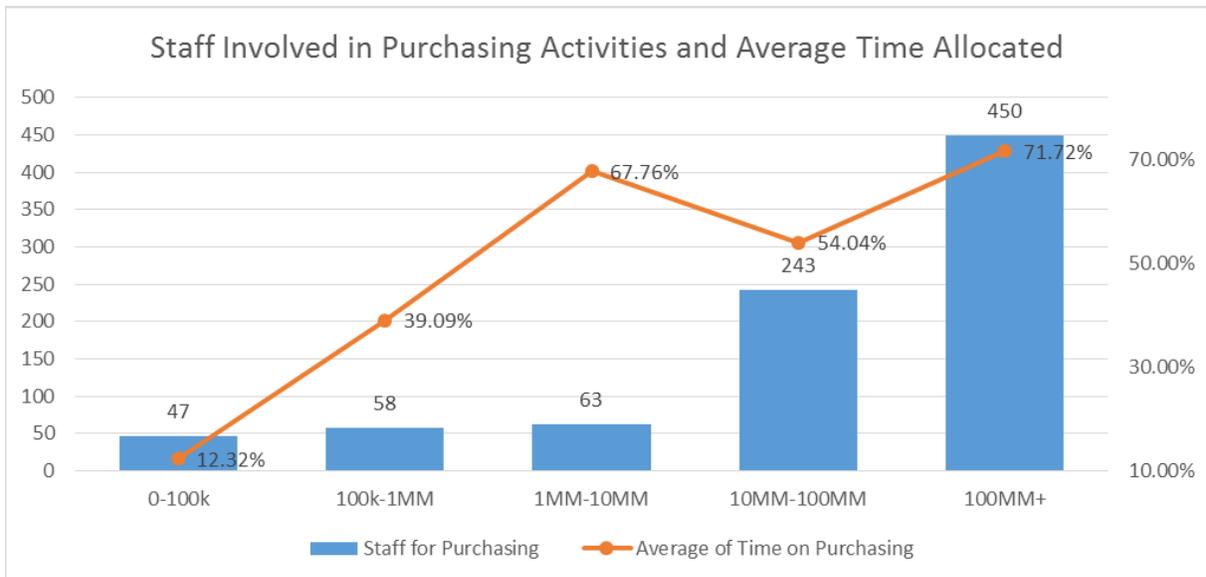


Figure 7. Staff involved in purchasing activities.

\$1MM spend above average time on purchasing with the exception of staff from agencies in the \$10MM-100MM spending tier who spend less than the average time on purchasing. This fact is worthy of further research that examines the types of contracts and purchasing activity conducted by those agencies and how they are able to conduct higher valued purchasing in less than average time.

Note that counts of individuals in Figures 6 and 7 are not exclusive. Some staff do contracting, purchasing or both. Also, some staff have a small allocation of time towards procurement.

Agency Staff Costs and Purchasing Efficiency

Staff costs associated ~~to~~ with supporting contracting and purchasing activities are a key element and basis for measuring purchasing efficiency. The chart in Figure 8 indicates that the staff costs vary greatly by agency spend category. Agencies in smaller spend categories have significantly higher staff costs as a percentage of purchase. In many less efficient agencies, staff costs associated to purchasing and contracting are greater than the value of the actual purchase. In the \$0-\$100K spend category staff costs add an average of 31%

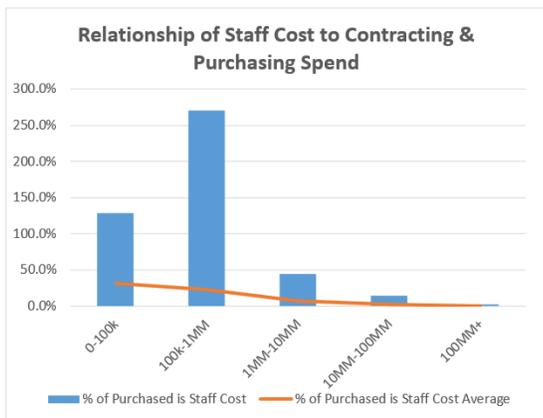


Figure 8. Staff Costs to Contracting and Purchasing Spend

increase to each purchase. Comparatively, in

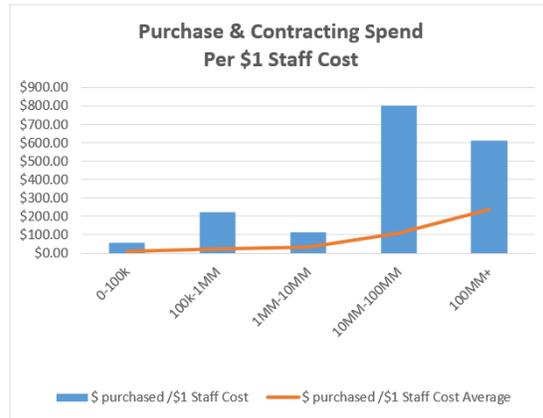


Figure 9. Purchase and contracting spend per \$1 Staff Cost

the \$100MM spend category staff costs add an average of only .7% increase to each purchase.

When spend is normalized for \$1 staff cost, agencies in larger spend categories operate more efficiently and are able to purchase more per \$1 staff cost than agencies in smaller spend categories. The spend per dollar of staff cost view of agency spend, shown in Figure 9, is often used in benchmarking studies across public and private sector organizations. Having an understanding of all of the costs associated spend will assist the state in achieving their objective of delivering the highest value in purchasing.

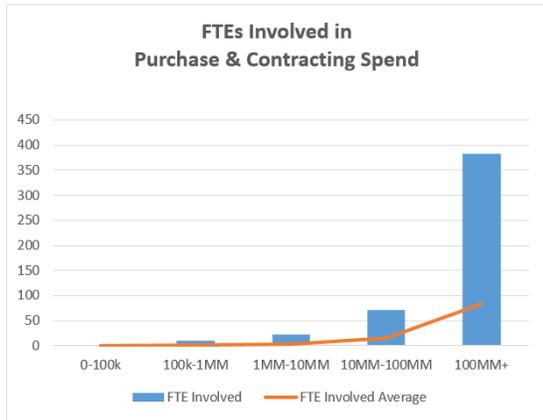


Figure 10. FTEs Involved in Purchasing and Contracting Spend

There are 44 Agencies or 43% of the agencies studied that have less than 1 FTE supporting their contracting and purchasing activities (see Figure 10). To further dilute staff participation, the fractional agency FTE support is often divided across multiple participants. These agencies, due to the small number of people involved in contracting and purchasing activities, are more likely to have decentralized procurement structures.

It is likely that the small percentage of staff time associated to contracting and purchasing activities in agencies in smaller spend categories directly contribute to the lower efficiencies seen across these categories. There is often a direct relationship between the frequency a task is performed and their efficiency in performing the task.

It is important to note that purchasing efficiency has many factors, including frequency of task execution organizational structure and purchasing processes. Our experience has shown that procurement processes are often the greatest inhibitor of efficiency.

It is likely that agencies in the larger spend categories and significantly high numbers of dedicated staff have more defined procurement processes and centralized structures. Although each agency studied is required to have an

annual Procurement Plan, the Procurement Plans reviewed have high-level procedure based processes. These plans do not provide the detailed process mapping information necessary to identify non-value added activities common in leading practices.

Numerous Federal, State, and local government agencies have found that possessing a clear understanding of their processes facilitates efficiency and effectiveness in the execution of their charter. Lean government concepts have been successfully used by these agencies to achieve well understood processes and the benefits of continuous improvement efficiencies. A detailed understanding of agency procurement processes using Lean concepts as related to government would provide a greater understanding of procurement efficiency opportunities across all of Texas agencies.

Contracting and Purchasing Policies

58% of agencies evaluated had their own contracting and purchasing policies in addition to state guidelines (see Figure 11). No single source for contracting and purchasing policies/statutes/codes exists across agencies.

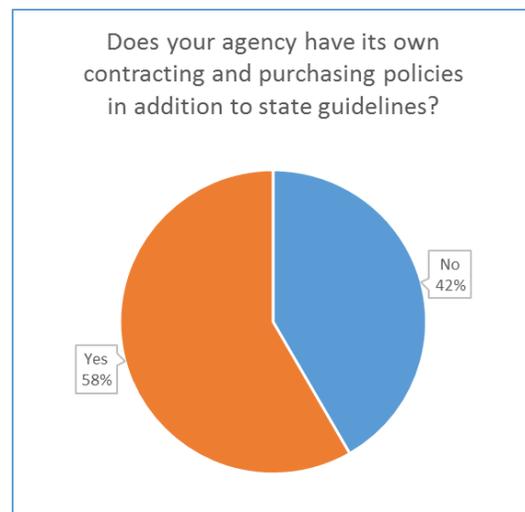


Figure 11. Contracting and purchasing policies.

Further review of procurement plans from agencies and agency-specific procedures may be required to ensure compliance with Texas guidelines for procurement.

Exemptions

Exemptions are defined as specific statutes or rules addressing the agency’s contracting and purchasing activities that exempt it from operating under typical State of Texas statutes, rules, policies and procedures, per the questionnaire. 34% of agencies indicated indicating they exercise specific exemptions from Texas contracting and purchasing statutes, rules, policies or procedures (as shown in Figure 12). In most cases, exemptions have been granted by Texas Legislature to allow delegated authority for contracting and purchasing activity by individual state agencies. Agencies with delegated authority have established separate structures for delegated and exempt purchasing.

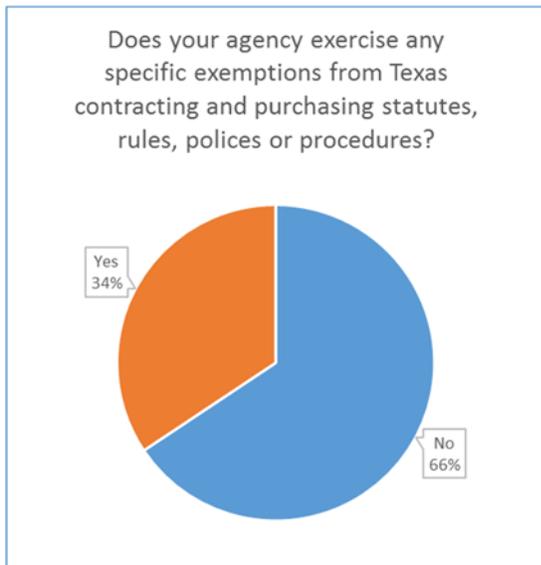


Figure 12. Exemptions.

It is unclear when and if review of exempted and delegated purchases occur related to bulk buy opportunities. When purchasing is delegated to individual agencies the state loses the ability to successfully consolidate purchasing. How to address this decentralization of procurement

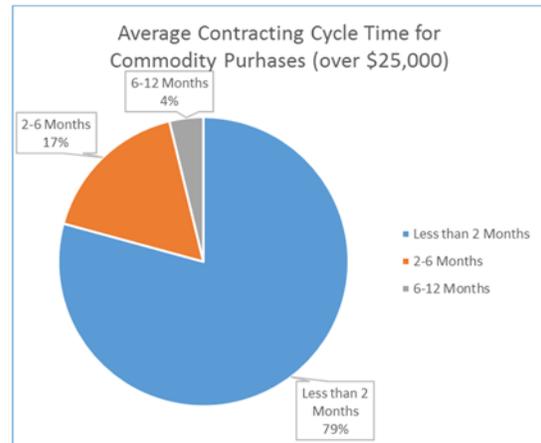


Figure 13. Cycle time for commodity purchases.

activity is important when considering implementation of centralized procurement.

Contracting Cycle Time Averages

According to agency responses, almost 80% of agencies have a contracting cycle time of less than two months for commodity purchases over \$25,000 (see Figure 13). Cycle time is defined as the time from purchaser’s receipt of a fully approved requisition to purchase order issuance or contract award.

Contracting cycle time is relatively longer for services valued over \$25,000 according to agency responses. 42% of purchases for

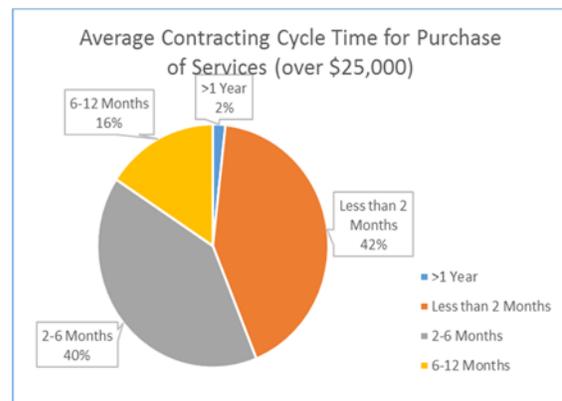


Figure 14. Cycle time for services.

services occur in less than two months (see Figure 14). The majority of purchases for services occur in under 6 months. The 18% of contracts taking over 6 months cycle time should be examined further for an improvement opportunity.

P-Card Usage

75% of agencies reported p-card usage by staff in their agency. See Figure 15.

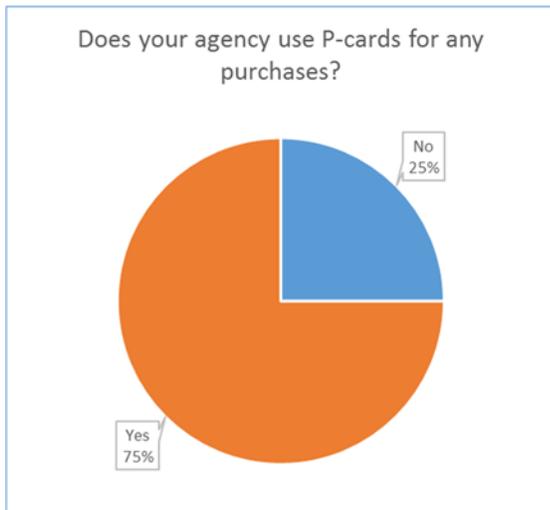


Figure 15. P-card usage.

The p-card spend in FY2015 was over \$81MM increasing 15% from the prior fiscal year (see Figure 16). P-card purchases in general

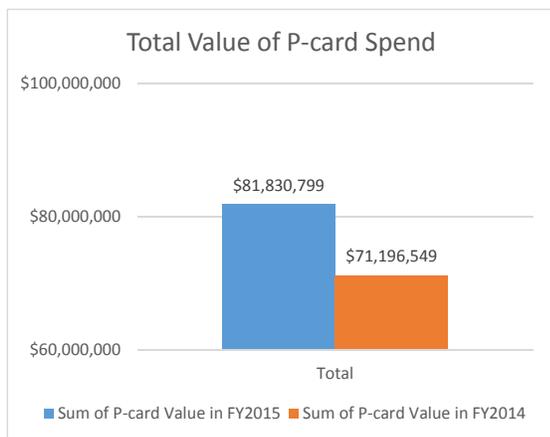


Figure 16. Value of p-card spend.

increase risks of fraud and other misuse. There were eight agencies that reported having seemingly large p-card thresholds of \$50,000 or more.

An opportunity for Texas to reduce potential large threshold risk is for the state to require procurement or buyer training in these cases. In addition, further research into p-card usage and thresholds should examine controls to ensure compliance with Texas procurement guidelines and to enhance fraud prevention and detection.

Reported Corrections for Contracting and Purchasing Transactions

Agencies reported an extremely low rate of transactions that require changes to correct errors made during the initial issuance of the order (e.g., pricing, quantity, receiving documents, miscellaneous errors). See Figure 17.

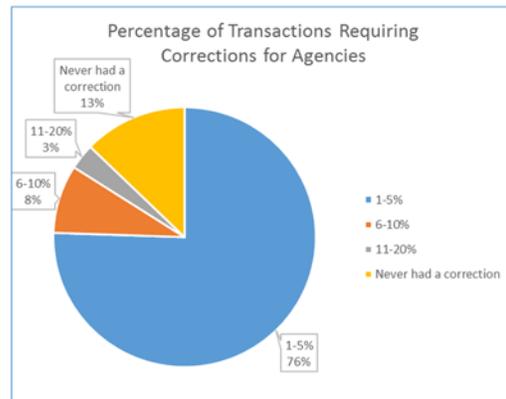


Figure 17. Corrections.

Financial, Purchasing or Contract Management Systems Usage by Agencies

Over 90% of agencies reported use of the USAS system. The rollout of CAPPs is underway with 10% of agencies indicating they use CAPPs for procurement (see Figure 18)

Self-Assessed Effectiveness of Contracting and Purchasing Practices

Agencies were asked to self-assess the current effectiveness of contracting and purchasing practices in place at their agency. 75% of agencies reported they are “Doing well” and 22% “Average” contracting and purchasing practices. 3% indicated their agencies “Could be better” and offered that they might improve in procurement/strategic sourcing (bidding, RFP, etc.), contracting and contract management, vendor performance management, vendor risk management, accounts payable, budgeting, and cost management/cost savings. See Figure 19.

Contracting or Purchasing Metrics Tracked

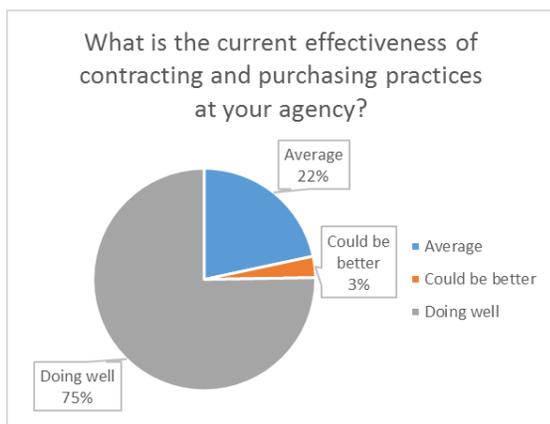


Figure 19. Self-assessed effectiveness of practices.

Based on agency responses, expanded use of contracting or purchasing metrics to track is needed to improve or maintain effectiveness of practices. Cycle time was the most common metric currently tracked at 20% of agencies. See Figure 20.

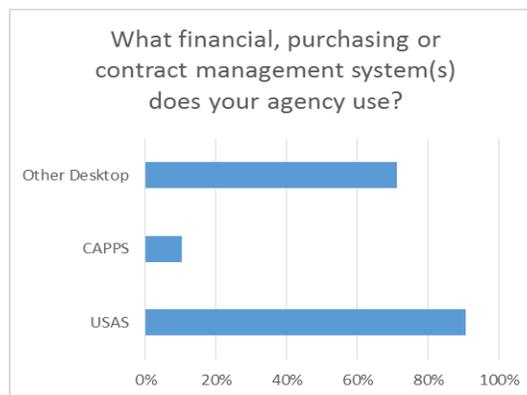


Figure 18. Systems usage.

According to research, the metrics widely used by successful procurement organizations include:

- Return on investment
- Cost savings or cost reductions
- Procurement cycle time
- Percent of spend under contract
- Percent of spend competitively sourced
- Percent of spend managed in agency
- Percent of purchases requiring rework
- Spend per FTE

Summary Results from Analysis of Texas Expenditure Data

SB 20 recognizes that a detailed data analysis of expenditures for all in-scope state agencies is

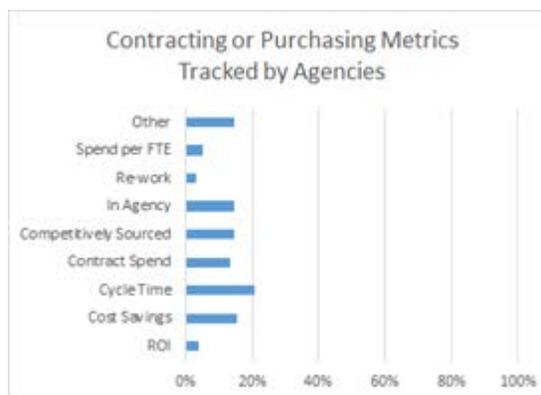


Figure 20. Metrics tracked by agencies.

Texas Agency Expenditure Strata for 2015

Agency Tier	# of Agencies	2015 Expenditures		2015 Number of Transactions		Avg Transactions Size
Under \$100K	29	\$1,465,453	0%	3,179	0%	\$587.25
\$100K - \$1MM	27	\$11,137,337	0%	11,476	1%	\$1,317.62
\$1MM - \$10MM	21	\$74,298,740	1%	27,963	3%	\$5,014.76
\$10MM - \$100MM	21	\$864,910,487	8%	196,459	24%	\$10,375.36
Over \$100 MM	10	\$10,165,234,765	91%	578,177	71%	\$23,518.64

*By agency expenditures and transaction volumes provided as back up detail

Table 2. Texas agency expenditure strata for 2015.

an important key to identifying potential opportunities for improvement of the purchasing and contracting functions statewide. The basis of this data analysis is FY 2014-2015 USAS expenditure data that has been supplemented with available CAPPs, SPD (previously TPASS), CCG, DIR, and agency provided contract data sources.

Agency Expenditures and Transaction Volume

The analysis of expenditure data by agency shows that the 108 agencies can be categorized into distinct expenditure strata. Table 2 shows by strata tier total expenditures, number of transactions, and average transaction size in FY 2015.

Based on further analysis of these strata, the complexity of goods and services being procured appears to closely mirror the total expenditures for each agency which is indicated by the increase in average transaction size.

While a portion of these smaller agencies' purchases are performed by or through centralized agencies such as SPD (previously

TPASS), CCG, or DIR; there is the potential that a heavier burden is put on smaller agencies because their average transactions fall below the automatically delegated authority threshold. This can mean that purchasing and contracting personnel with less experience, or ones that are not fully dedicated to the purchasing function, are responsible for performing the majority of purchasing in-house without the assistance or oversight of a central purchasing resource.

Texas Agency Transaction Tiers

Transaction Tiers	Number of Agencies	
	2014	2015
<100 Transactions	15	19
100-200 Transactions	20	17
200-500 Transactions	17	17
500-1,000 Transactions	16	15
1,000-5,000 Transactions	22	20
5,000-25,000 Transactions	11	14
>25,000 Transactions	7	7

*By agency expenditures and transaction volumes provided as back up detail

Table 3. Number of Agencies per transaction strata tier.

When analyzing agency purchasing and contracting based on the volume of transactions, it is noted that procurement workload varies significantly. Of the SB 20 agencies, 62% perform less than 1,000 transactions annually while seven agencies perform >25,000 transactions each year which represents 74% of all transaction volume. Table 3 shows the FY 2014 and 2015 count of agencies associated with each tier based upon transaction volume.

Number of Vendors	Number of Agencies
< 50	28
50-100	20
100-250	25
250-1,000	18
>1,000	17

*By agency vendor volumes provided as back up detail

Table 4. Number of vendors used by agencies.

The number of vendors used by an agency om a year also varies widely across the state with as few as 3 to as many as 10,500, with the average vendor spend for an agency ranging from \$902 to as much as \$1.3MM. The number of vendors used as well as the extent of vendors for which agencies serve as the primary contractee are both important indicators of the complexity and difficulty of purchasing and contracting within each agency. Table 4 shows the count of agencies based on the range of vendors they used over the fiscal years in scope (FY14 & 15).

A review of the consolidation or overlap of vendors used by agency shows us that the vast majority, 81% of all vendors representing 60% of total expenditures, of all vendors are used by a single agency (see Table 5). While the vendors used by a single agency are a majority of spend they do not make up the majority of transactions representing only 23% of all transactions during the review period. The pool over vendors used

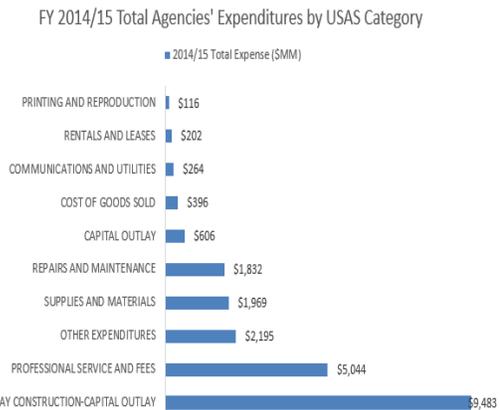
Number of Agencies Using Vendor	Number of Vendors		FY2014/FY2015 Total Expense		FY2014/FY2015 Total Transactions	
	Count	Percentage	Count	Percentage	Count	Percentage
1	34,134	81%	\$13,261,953,310	60%	358,113	23%
2	4,500	11%	\$2,229,220,761	10%	137,234	9%
3	1,553	4%	\$1,432,446,275	6%	110,692	7%
4	713	2%	\$469,628,082	2%	52,752	3%
5	448	1%	\$513,868,224	2%	49,550	3%
6	223	1%	\$780,780,490	4%	32,666	2%
7	162	0%	\$252,825,821	1%	31,023	2%
8	104	0%	\$395,134,997	2%	39,971	3%
9	96	0%	\$301,858,675	1%	26,695	2%
10	76	0%	\$132,560,073	1%	23,375	2%
Greater than 10	389	1%	\$2,442,321,585	11%	684,496	44%

Table 5. Overlap of vendors used by agencies.

by ten or less agencies does however represent 56% of all transactions. Further analysis is needed at the vendor level to determine how much of this vendor overlap can be consolidated, but it can safely be stated that the state has considerable opportunity to reduce the number of vendors it conducts business with.

Object Expenditures and Transaction Volume

As a consideration for identifying areas of potential consolidation or centralization, an analysis of Texas expenditures was performed by USAS object code. Figure 21 shows total



* Detailed breakdown of expenditures by object code provided

Figure 21. Total agencies' expenditures by USAS category (including TxDOT).

expenditures by USAS category for the 108 SB 20 agencies.

Consolidation of vendors typically yields preferential pricing and centralized purchasing achieves potential gains in efficiency and expertise. Consolidation and centralization are most likely to occur on transactions for procuring goods and services.

Figure 21 is skewed by the presence of the large total expenditures associated with the Texas Department of Transportation which accounts for over 50% of the annual spend on goods and services. The same view of FY 2014/2015 expenditures excluding TxDOT shows that over 43% of all spend within the other 107 in scope agencies is procurement of professional services. See Figure 22 for total expenditures by USAS category for the SB 20 agencies, excluding TxDOT.

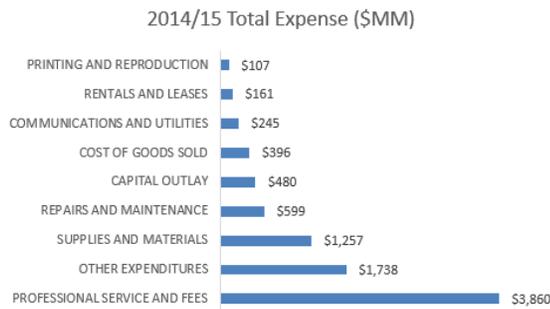


Figure 22. Total agencies' expenditures by USAS category (excluding TxDOT).

Analysis of total Expenditures for FY 2014/2015 by USAS Category provides insight into what types of goods and services drive the significant portion of all state expenses. Over the previous two years, capital projects (Highway and other) represent 45.6% of all state expenditures while Professional Services represents an additional 22.8%. The combined 68.4% represents expenditures that are generally complex and large in nature and require specialized knowledge to perform the purchasing and contracting for these services. Table 6 shows counts of transactions by USAS object category.

USAS Object Category	Total Transaction FY2014/2015	
SUPPLIES AND MATERIALS	550,595	35.6%
OTHER EXPENDITURES	412,626	26.7%
PROFESSIONAL SERVICE AND FEES	148,255	9.6%
REPAIRS AND MAINTENANCE	146,929	9.5%
COMMUNICATIONS AND UTILITIES	119,826	7.7%
RENTALS AND LEASES	77,961	5.0%
COST OF GOODS SOLD	33,006	2.1%
HIGHWAY CONSTRUCTION-CAPITAL OUTLAY	24,236	1.6%
PRINTING AND REPRODUCTION	18,715	1.2%
CAPITAL OUTLAY	14,428	0.9%

Table 6. Transaction volumes by object code category.

When examining the transaction volumes by object code category, it is noted that “Supplies and Materials”, “Other Expenditures”, and “Repairs and Maintenance” account for 72% of all state transactions while only representing 27% of expenditure dollars. These high volume, low dollar transactions generally represent areas where centralization of purchasing functions and consolidation of vendors will have the greatest impact on operational efficiency. Similarly, the same three object codes account for approximately 75% of vendors used in the Texas.

Figure 23 shows the number of vendors by USAS object category.

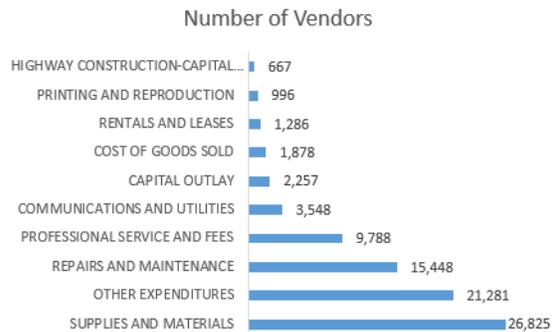


Figure 23. Number of vendors used by code.

Highway construction accounts for by far the largest portion of all state expenditures in dollars; however, highway construction represents a lesser opportunity for consolidation as it uses relatively few vendors and is currently centrally managed wholly within The Texas Department of Transportation (TxDOT).

Managed/Contracted Expenditure Analysis

The current systematic ability to accurately and effectively capture contracted spend is limited. USAS does not capture contracts associated with specific transactions making visibility into the total value of state contracting very difficult to determine without a physical review of all invoices/purchase orders. The current instances of CAPPs allow users to input contract information for items with associated purchase orders, which allows for much greater visibility into the values of contract spend as well as the values remaining on those contracts. This information is manually inputted by users and should be considered more accurate but still has the user input potential for error.

The contract expenditure analysis uses a concept which we have termed “Managed Relationships”, which attempts to give the State the most reasonable insights into the value of contracting performed across all agencies both central and decentralized. For this study “Managed Relationship” is defined as all expenditures associated with a vendor in which the State has a contract with, as well as all interagency expenditures. The rationale is that these expenditures are with vendors that have current contracts, and while the particular item might not be associated with a specific contract, it still constitutes a managed relationship with the vendor and is preferred from a procurement management perspective rather than sourcing the good or service from uncontracted suppliers.

This Managed Relationship spend will represent a dollar amount greater than the true contracted spend. The lack of central and systematic visibility into contracted spend represents a

TX SmartBuy Expenditures by Agency	Number of Agencies	Total 2015 USAS Spend	Total 2015 TXSmartBuy Spend	% of spend within
>\$100MM	2	\$7,424,114,192	\$555,205,315	7.48%
\$1MM-\$100MM	17	\$2,843,256,405	\$129,996,766	4.57%
\$100k-\$1MM	14	\$390,580,223	\$4,139,351	1.06%
\$10k-\$100k	26	\$379,235,728	\$851,818	0.22%
<\$10k	29	\$77,055,799	\$95,594	0.12%
\$0	20	\$2,804,434	\$0	0.00%
Totals		\$11,117,046,781	\$ 690,288,844	6.21%

Table 7. Number of agencies by TxSmartBuy tier.

large opportunity for the State to improve both contract maintenance and opportunity identification of areas of greater efficiency and/or cost savings.

Included in the Managed Relationship analysis are those expenditures that come from the TxSmartBuy program. These expenditures were provided as a separate dataset making it possible to isolate all expenditures by agency to use this central service. Further analysis shows that for the Fiscal year 2015, 6.21% of all agency expenditures were from TxSmartBuy. See Table 7, which shows the tiers of TxSmartBuy usage based on total 2015 expenditures utilizing the system. While as a whole 6.21% of spend is with TXSmartBuy, when looking at the expenditure breakdown by agency size, the majority of volume is driven by the larger agencies. It stands to reason that the larger agencies will purchase more total volume with TXSmartBuy, a breakdown of percentage of total agency expenditures reveals that the smaller agencies actually purchase a

Agency Size	Total Expenditures	TXSmartBuy	TXSmartBuy
0-100k	\$1,465,453	\$53,816	3.67%
100k-1MM	\$11,137,337	\$492,611	4.42%
1MM-10MM	\$74,298,740	\$2,436,069	3.28%
10MM-100MM	\$864,910,487	\$55,806,795	6.45%
100MM+	\$10,165,234,765	\$631,499,553	6.21%

Table 8. Total agency expenditures by spend tier.

Agency Name	2015					
	Total USAS Expense	Total CAPPS Expense	Not on Contract	On Contract	% of CAPPS Spend on Contract	% of Total Spend on Contract
Comptroller of Public Accounts	\$68,207,369.96	\$29,698,947.37	\$17,096,136.84	\$12,602,810.53	42%	18%
Department of Information Resources	\$21,404,133.30	\$20,203,186.05	\$17,070,276.35	\$3,132,909.70	16%	15%
Texas Workforce Commission	\$27,487,988.66	\$23,130,671.93	\$23,130,671.93	\$0	0%	0%
Office of Injured Employee Counsel	\$248,221.97	\$393,205.99	\$393,205.99	\$0	0%	0%
Texas Department of Insurance	\$14,388,511.46	\$13,609,614.25	\$13,609,614.25	\$0	0%	0%
Railroad Commission of Texas	\$33,271,234.84	\$45,834,300.51	\$45,834,300.51	\$0	0%	0%
Public Utility Commission of Texas	\$4,627,645.32	\$5,492,646.27	\$5,452,346.27	\$40,300.00	1%	1%
Health and Human Services Commission	\$959,961,320.62	\$596,845,898.36	\$0	\$596,845,898.36	100%	62%
Department of Family and Protective Services	\$151,547,038.53	\$50,403,598.08	\$0	\$50,403,598.08	100%	33%
Department of State Health Services	\$467,500,936.13	\$276,120,953.70	\$0	\$276,120,953.70	100%	59%
Department of Assistive and Rehabilitative Services	\$44,969,715.76	\$28,631,419.96	\$0	\$28,631,419.96	100%	64%
Department of Aging and Disability Services	\$248,272,178.92	\$100,567,697.65	\$0	\$100,567,697.65	100%	41%
Texas Department of Transportation	\$6,661,770,426.70	\$4,215,614,663.31	\$1,817,497,681.12	\$2,398,116,982.19	57%	36%
Texas Department of Motor Vehicles	\$58,764,314.95	\$35,811,903.25	\$5,520,510.09	\$30,291,393.16	85%	52%
Texas Juvenile Justice Department	\$25,222,696.55	\$25,590,752.34	\$14,971,959.82	\$10,618,792.52	41%	42%
Texas Education Agency	\$164,336,075.62	\$174,827,402.23	\$7,021,979.98	\$167,805,422.25	96%	102%
Grand Total	\$8,951,979,809.29	\$5,642,776,861.25	\$1,967,598,683.15	\$3,675,178,178.10	65.13%	41.05%

Table 9. CAPPS spend reported in system as under contract.

disproportionally smaller amount from TXSmartBuy as shown in Table 8. This represents an opportunity to provide greater support for smaller items by analyzing their purchase volumes and providing more state term contracts based on their specific needs.

It should be noted that commodities and services currently available through the eProcurement system (TxSmartBuy) are potentially limited by the resources supporting it (e.g. contracting personnel negotiating term contracts, spend analysts determining suitable contracting opportunities, as well as restricted by delegated purchasing authority granted to agencies either by statute or rule).

* An additional \$64MM of spend was performed in TXSmartBuy by agencies outside of the scope

of SB 20 with significant additional volume from other entities within the state of Texas

An analysis of in scope SB 20 agencies that have had CAPPS financials implemented (functionality allowing agencies to input contract information) shows a closer representation of the amount of contracted annual spend by agency. Table 9 shows that over 65% of CAPPS spend (spend associated with a PO) is reported within the system as under contract, with some agencies not reporting any spend under contract and others reporting all PO related spend is under contract. Because the CAPPS data does not represent all agency expenses, a comparison of the CAPPS reported spend under contract to total USAS expenses shows approximately 41% of all CAPPS agency expenditures are under contract.

Spend Management	Contract Type	2014		2015	
Under Management	Agency Contract	\$ 4,577,659,133	41%	\$ 4,935,528,729	44%
	TxSmartBuy	\$ 538,373,042	5%	\$ 690,288,844	6%
	DIR	\$ 784,091,070	7%	\$ 763,768,392	7%
	Interagency	\$ 411,359,589	4%	\$ 422,656,442	4%
	TPASS Managed	\$ 1,099,495,132	10%	\$ 843,913,776	8%
	CCG	\$ 190,180,589	2%	\$ 204,227,230	2%
	Contingency	\$ 119,585	0%	\$ 513,714	0%
	Travel	\$ 365,090	0%	\$ 280,674	0%
Under Management Total		\$ 7,601,643,229	68%	\$ 7,861,177,801	71%
Not Under Management		\$ 3,386,992,440	30%	\$ 3,256,097,954	29%
Not under management Total		\$ 3,386,992,440	30%	\$ 3,256,097,954	29%

Table 10. Breakout of spend under management by contract type.

In the absence of a systematic ability to accurately report on spend under contract across all agencies, the State must rely on agency reported information. A portion of the SB 20 agency questionnaire focused on agencies providing a comprehensive list of contracted and critical vendors which the agency has expenditures over \$25,000 annually. For this study, all expenses incurred with these agency reported vendors has been considered a “Managed Relationship” and the results are reported in Table 10 as a percent of total expenditures. (Spend represents total spend with vendors who have at least some contract with the State, numbers here are not accurate at the transactional level and represent a value higher than actual spend under contract)

This analysis of spend under management shows that the majority (~70%) of all spend within the SB 20 agencies is with a vendor that has at least one contract in place. The 70% of spend with vendors that have at least one contract in place is made up of over 14,500 vendors or ~35% of all vendors in scope for the analysis. Based on review of the remaining spend under management, a large majority of spend is large construction contracts which were not reported as under contract but likely were missed for various reasons including, multiple vendor IDs, user error, wrong vendor IDs, etc.

Because the current source of data is user reported, an accurate analysis of how effectively Texas is managing spend under contract requires review of individual invoices and purchase orders.

As shown in Table 10, of the ~71% managed spend, 44% is performed by individual agencies with the remaining 27% performed by a central purchasing agency. Due to the fact that so much of the current contracting and purchasing is done in a decentralized fashion at the agency level, consolidating or centralizing the procurement function will require significant resources which are currently spread throughout all 108 agencies.

Expenditure and Transaction Volume by Employee

An important metric identified by SB 20 to determine the ability to further centralize the purchasing and contracting function is the number and value of purchases performed by personnel at each agency. To determine the number of purchasing and contracting personnel at each agency, the study relied on agency provided data which identified the number of FTEs that perform these functions and the amount of time they spend on these activities if the employee is not fully dedicated to this function. Table 11 represents the average

Agency Tier	Number of Agencies	Purchasing/ Contracting FTEs	Avg. FTEs	2015 Transactions	Avg. Transactions per FTE	2015 Expenditures	Avg. Spend per FTE
0-100k	27	8.9	0.3	2,883	323.6	\$1,295,580.30	\$145,407.44
100k-1MM	26	30.8	1.2	11,052	359.3	\$10,819,453.72	\$351,737.77
1MM-10MM	17	62.5	3.7	21,977	351.7	\$62,803,334.26	\$1,005,014.15
10MM-100MM	21	325.7	15.5	196,459	603.2	\$864,910,486.53	\$2,655,461.87
100MM+	10	736.7	73.7	578,177	784.8	\$10,165,234,765.13	\$13,798,336.86
Grand Total	101	1,164.6	11.5	810,548	696.0	\$11,105,063,619.94	\$9,535,763.09

* Detailed breakdown by agency provided

Table 11. Average FTEs that perform purchasing and contracting.

number of FTEs that perform the purchasing and contracting function at the 101 agencies that responded to the SB 20 questionnaire, along with their average annual transaction and expenditure workload.

As data in Table 12 shows, despite the smaller agencies averaging less than 3 FTEs, they still shoulder a smaller load than the agencies who have annual expenditures greater than \$10 million. In fact, the smallest 70 agencies have fewer total FTEs, FY2015 transactions, and FY2015 expenditures than the three largest individual agencies.

As the State considers the ability to further consolidate the purchasing and contracting

functions across agencies it becomes obvious that the smaller agencies represent an opportunity due to the number of resources impacted, the smaller volume of transactions, and the overall lower level of complexity of expenditure.

Agency Expenditures to All Funds Analysis

For the fiscal years 2014 and 2015, an analysis was performed comparing the total agency expenditures for all funds to the total expenditures on goods and services. On average, the in-scope state agencies' expenditures on goods and services represent 11% and 10% of all funds expenditures for FY2014 and FY2015 respectively. Agencies

Agency Tier	Number of Agencies	Purchasing/ Contracting FTEs	2015 Transactions	Avg. Transactions per FTE	2015 Expenditures	Avg. Spend per FTE
0-10MM	70	102.2	35,912	351.5	\$74,918,368.28	\$733,343.46
Texas Department of Transportation		279.7	190,902	682.4	\$6,661,770,426.70	\$23,814,150.38
Health and Human Services Commission		145.5	60,806	418.0	\$959,961,320.62	\$6,599,032.93
Texas Department of Criminal Justice		107.0	117,955	1,102.6	\$762,343,765.61	\$7,126,040.06

Table 12. FTE purchasing and contracting activity and spend.

span between less than 1% to over 72% spent on goods and services compared to all funds expenditures. There are significant outliers on both ends of the spectrum with the Texas Department of Transportation having the highest percent of their all funds expenditures on goods and services along with the highest total expenditures on goods and services.

Alternatively, agencies with large workforce related expenses have a very small percent of expense on goods and services. For example, HHSC and the Texas Education Agency totals less than 5% of the Texas spend on goods and services for the 108 SB 20 agencies despite accounting for 53% of the total Texas all funds expenditures.

The comparison of goods and services spend to the total all funds in Appendix D provides insight into the size and complexity needed to manage the purchasing and contracting for each agency.

An agency that does not spend a large dollar volume on goods and services may still be a very complex purchasing agency given the total

number of employees and the number of locations, each of which can be gleaned from a comparison of the total spend to total all funds. Understanding the structure, complexities, and the unique challenges each agency faces is equally critical to the size or volume of spend.

Procurement Research and Benchmarking Analysis

Research of Texas State Purchasing Current Structure

In the current structure (Figure 24), Texas State Legislature appropriates funds for operating Texas government. The Federal Government also appropriates funds and provides grant money, the conditions of which shape certain procurements in Texas. State and federal law provides additional parameters for procurement, and certain state law outlines purchasing authority. Today's agencies with centralized authority employ similar procurement methods under separate authorities. Delegated authority exists to establish contracts for purchases of commonly used goods and services by state

Texas State Purchasing Current Structure

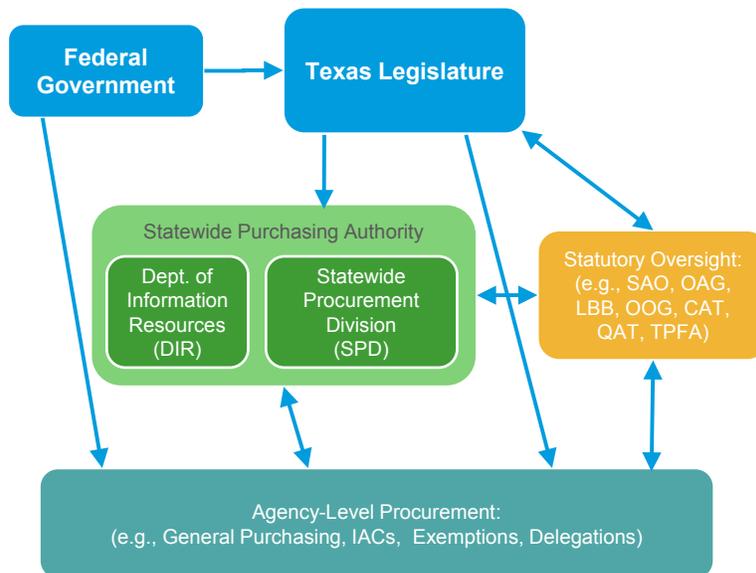


Figure 24. Current-state for Texas status purchasing.

agencies and local governments. Certain types of purchases require statutory approval, review, and reporting.

The agencies with statewide purchasing authority are:

- Department of Information Resources (DIR)
- Statewide Procurement Division (SPD)

Agencies conduct general purchasing through established statewide contracts. The State of Texas allows for various exemptions and delegated authority to agencies for the procurement of goods and services. The Statewide Procurement Division (SPD) supports the State in the development, issuance and management of certain term contracts. The SPD is also providing procurement assistance and guidance to agencies in a largely decentralized purchasing system. The guidance is based on best practices outlined in the Texas Procurement Manual and the Contract Management Guide (CMG). Together, these documents seek to guide agencies in their procurement and contract management processes.

In the current structure, decentralization is necessary to support delegated procurement authority. Currently, Texas lacks a single entity of procurement accountability. This decentralized structure does limit the Comptroller's ability to mandate agencies to follow the best practices outlined in the Texas Procurement Manual and CMG, including:

- Ensuring consistency in procurement practices among state agencies.
- Ensuring the fair and equitable treatment of everyone who deals with Texas procurement processes and systems.
- Providing increased economy in state procurement activities; maximizing the purchasing value of public funds; obtaining in a cost-effective and responsive manner the commodities

and services required by state agencies in order for those agencies to better serve Texas's taxpayers.

- Safeguarding quality and integrity in Texas public procurement.

Procurement Authority

The procurement authority associated with non-delegated and delegated purchases is detailed in the State of Texas Procurement Manual. It is important to note that research indicates that the majority of organizations operate under an authority and organizational structure which consists of a mixture of centralized and decentralized.

Texas Customer Service

Customer service is a well understood differentiator for organizations of all types and best practice. This concept of understanding how an organization is performing from their "customer's perspective" is a strongly supported concept in Texas. The concept of customer service applies to all agency "customers" including other agencies where centralized services are provided.

According to state code, "Each agency shall gather information from customers using survey or focus groups or other appropriate methods approved by the Governor's Office of Budget and Planning and the Legislative Budget Board regarding the quality of service delivered by that agency..." (Texas Government Code (TGC), Sec. 2114.002 (b))

Example of DIR Customer Service:

"Customer service is a top priority at DIR. The agency frequently collects feedback from customers to measure the quality of service across its business lines and programs. DIR has established a number of advisory committees that provide guidance in ensuring customer interests are considered, developed, and

implemented. DIR will continue to evaluate the results of customer surveys, and engage with customers to gain additional insight into customer concerns that need to be addressed.”

Research of Common Procurement Attributes and Performance Measurements

Existing research indicates various procurement attributes are affected by authority and organizational structure. A summary of procurement attributes offered by supporting research and used in the identification of best practices, include:

APQC has identified the following performance categories related to procurement best practices:

- Cost effectiveness
- Process efficiency
- Cycle time
- Staff productivity

Governing Institute identified the following performance categories related to procurement best practices:

- Workforce training and certification
- Contract Administration
- Sourcing
- Relationship Management
- Use of Technology
- Information Technology Procurement
- Organizational Structure and authority
- Pre-sourcing and procurement planning
- Organizational culture and leadership
- Performance measures

NASPO identified the following seven 2016 recommendations related to procurement best practices:

- Single State Chief Procurement Official at an executive level
- Delegation of procurement authority where capabilities exist specifically related to small purchases and special

- needs. Centralized oversight and authority is centralized and maintained.
- Enterprise approach to acquisition by collaboratively engaging in strategic acquisition planning and continued support throughout the procurement cycle (planning through contract administration).
- Comprehensive procurement law with clear statements of legislative intent and a high-level description of the procurement structure and process.
- Leverage the use of eProcurement systems to reduce cost and increase transparency.
- Skilled procurement professionals engaged at every phase of the procurement process.
- Information technology included under the authority of a single State Chief Procurement Official.

Governing Institute identified the following procurement best performing states related to procurement:

- Georgia - Identified as having best practices in contract administration, pre-sourcing and planning, use of technology, and organizational culture (Additional comments: Centralized control, Aggressive delegation up to \$5M based on agency capabilities/training, training, ERP, fully defined end-to-end procurement process, Customer service Culture with active feedback loops from agencies)
- Virginia – Identified as having best practices in Workforce, Training and Certification and Information Technology Procurement
- Minnesota – Identified as having best practices in sourcing
- Other states ranked in the research include:
 - Utah
 - Massachusetts

- Ohio
- Missouri
- Washington
- Michigan
- Montana

It was observed during the data collection and research that Texas was not an identified participant in any of the benchmarking studies. Participation in this type of research and measurement of leading practices would provide Texas a valuable opportunity for continuous improvement.

General comments related to centralized procurement challenges:

- CPO has authority and resources necessary to develop, execute, and enforce a centralized procurement strategy.
- Recognition that centralized procurement organizations do not possess all of the diverse knowledge of all State agencies.
- Recognition that a Centralized purchasing organization is a service provider and needs to delight their customers.
- Existence of SLA and cost effectiveness management across all shared services.

Comparable Salary Data

This section provides results of RSM’s analysis of salaries for the following dedicated contracting and purchasing positions:

- Contract Administration Director
- Contract Administration Manager
- Contract Specialist
- Contract Technician
- Purchasing Agent

These job classification titles, and RSM’s understanding of the current areas of responsibility are based on the job descriptions, compensation data and organizational charts provided by Texas Comptroller and state

agencies. RSM conducted analysis of salaries including examination of comparable public and private sector salary data to identified state positions and salary ranges for benchmarking.

In performing this study, RSM utilized their experience working with similar state governments and private sector organizations, as well as current survey data from our Economic Research Institute (ERI) Salary Assessor Database. ERI is a leader in the collection, and analysis of compensation, occupation, and cost-of-living data. The software provides precise evaluations of market pay by position and is one of the only sources of its kind. Survey data is collected through internally conducted salary surveys and the purchase of third party salary surveys. The data is expressed in the form of regression equations, which allow results to be compared according to the size of an organization within an industry grouping.

RSM has found ERI to be a reliable source of current compensation information for analysis in providing litigation support as well as general compensation planning services to our business clients. For salary comparisons, each identified contracting and purchasing position was analyzed and benchmarked with the closest comparable position in the ERI database. The ERI information used for this analysis by RSM is updated at the beginning of each new calendar quarter from new data received from ERI based on the most recent salary surveys available.

Our comparison of the base salary pay of the same or the closest matched position in the ERI database has resulted in the observations

Job Classification Title	TX Gov't	All TX State	National Gov't	All National
Contract Administration Director	\$115,588	\$164,529	\$114,884	\$160,150
Contract Administration Manager	\$93,089	\$116,754	\$93,635	\$116,004
Contract Specialist	\$64,021	\$73,766	\$65,691	\$74,861
Contract Technician	\$55,808	\$62,283	\$57,915	\$64,050
Purchasing Agent	\$56,420	\$62,968	\$58,379	\$64,697

Table 13. Incumbent average benchmarks of contracting and purchasing positions.

illustrated in this section. Profiles were attained from the ERI database to examine salary information of Texas state government support service positions and Texas positions across all industries. National profiles were also attained showing salary information for United States average government support services and national profiles with averages across all industries.

According to ERI, the typical function of the positions examined are described as including the following:

The responsibility of a **Contract Administration Director** is: directs personnel and activities of department, and plans, develops, and implements policies, procedures, and objectives of the contract administration function in accordance with objectives of the organization.

A **Contract Administration Manager** is responsible for managing contract administration operations involving contracts for purchase or sale of equipment, materials, products, or services, and may direct those who estimate expenditures expected and submits to management.

Contract Specialists negotiate with suppliers to draw up procurement contracts.

Contract Technicians review agreements or proposed agreements for conformity to company rates, rules, and regulations.

Purchasing Agents procure materials or other goods and/or coordinates activities involved with purchasing products and services, such as raw materials, equipment, tools, parts, supplies, and advertising, for establishment.

Comparison to All Incumbent Averages

Through data analysis, ERI determines the maximum years of experience for each job, and then reports the All Incumbent Average at the mid-point between one year of experience and maximum years of experience. Table 13 shows

the all incumbent average salaries of identified contracting and purchasing positions comparing Texas state government, all industry data for Texas, national government and all industry national averages from the ERI Salary Accessor Database.

Comparing profiles in the ERI Salary Accessor Database to agency provided salaries for like positions allows assessment of salaries paid to dedicated contracting and purchasing personnel in agencies state-wide. The following list provides average annual salaries reported by agencies for dedicated contracting and purchasing positions and compares them to all incumbent averages in the ERI Salary Accessor Database.

- Contract Administration Director's average annual salary is \$123,249 which is above the all incumbent averages for Texas government and national government salary categories from ERI.
- For Contract Administration Manager, the average annual salary reported by agencies was \$80,621 which is under averages from ERI for all categories examined.
- Contract Specialists average salary of \$51,536 which is below averages from ERI across all categories examined.
- Contract Technicians have an annual salary of \$36,180 as reported by agencies which is below averages from ERI across all categories examined.
- Purchasing Agent average is \$46,149 which is below averages from ERI across all categories examined.

Analysis of Comparable Contracting and Purchasing Positions in ERI Salary Accessor Database

The graphs in Figure 25 show by area how salary ranges for each specific position examined compare across Texas and nationally. The top of each bar represents the range maximum based on the 75th percentile ranking, the middle bar represents the median salaries, and the bottom bar indicates range minimum

based on the 25th percentile. Percentile rankings indicate the percentage of persons in jobs who either share the income level or earn less.

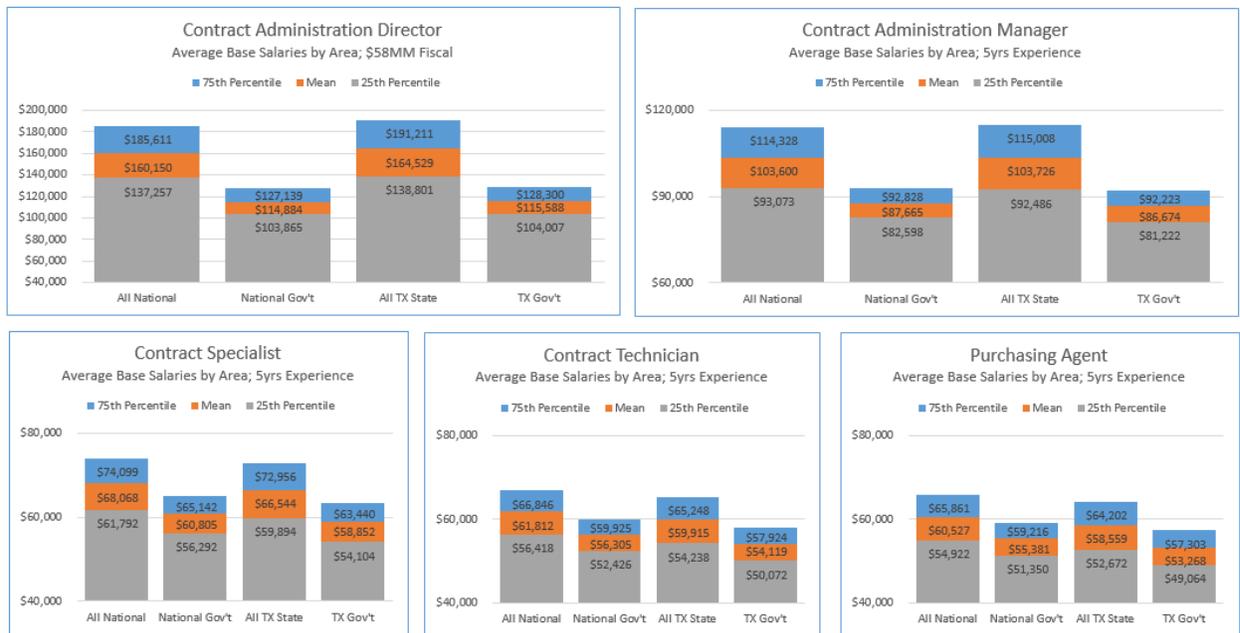


Figure 25. Benchmark average base salary ranges

CONCLUSIONS AND RECOMMENDATIONS

In this section, RSM offers findings derived from analysis of data and discussions throughout the study. Recommendations and proposed alternative solutions for consolidating procurement per SB 20 are offered based upon conclusions from analysis of questionnaires returned by agencies, analysis of expenditure data provided by Texas Comptroller, and procurement research and benchmarking analysis of leading practices.

Section contents:

- Summary observations
- High value recommendations
- Alternatives analysis for centralized purchasing
- Key considerations for consolidating state purchasing functions
- Critical steps to implement

Summary Observations

- Training and certification for contracting and purchasing is generally well structured, planned and integrated into purchasing authority.
- Utilization of financial and purchasing systems (USAS, CAPPs, and TxSmartBuy) provide data foundation for reporting and expenditure transparency.
- Texas has been implementing and supporting CAPPs as an end-to-end eProcurement system and an enabler of transparency which supports consolidated purchasing opportunities.
- Texas strongly encourages state contracting with Historically Underutilized Business (HUB) and Minority and Women Business Enterprise (MWBE) vendors. Additionally, the Texas requires purchasing from the State's two (2) set-aside programs.

- Today, when centralized purchases occur today the overall process works well, including need identification, master contract development, and TxSmartBuy.
- In many instances, the same vendors appear to be used across different agencies and contracts. This results in a potential loss of buying power when negotiating contracts, duplicative contract management efforts and added vendor management complexity.
- Default purchasing authority delegation to agencies (<\$25K for goods and <\$100K for services) require agencies to have trained and in some circumstances certified staff for purchasing.
- Limited centralized assessment or review of delegated purchases. Texas would likely identify vendor and purchasing consolidation opportunities by centrally reviewing agency delegated purchases.
- Agencies in smaller spend categories with a high percentage of delegated spend may benefit from full or partial support from a centralized purchasing body. This support could cover both delegated and non-delegated procurements.
- DIR seems to have robust contracting and purchasing capabilities (knowledge, feedback loops for vendors and agencies, etc.); however, technology spend over \$1M is delegated to agencies that may have subject area knowledge but not necessarily experience with complex integrator/IT contracts.
- One of the critical factors that differentiates successful organizations from non-successful ones is customer service. For example, DIR focuses on

customer service through advisory committees and customer surveys.

- Agencies that desire to have a high degree of purchasing control, have it (e.g., DIR, SPD [previously TPASS], HSSC).
- Purchasing rules are complex with many exceptions through delegated purchase authority and/or agencies exercising exemptions from State of Texas contracting or purchasing statutes, rules, policies or procedures.
- Unclear enforcement authority for State of Texas contracting or purchasing statutes, rules, policies or procedures.
- Texas participation in future benchmarking studies (by NASPO, APQC, and other organizations) would offer valuable opportunities to understand state rankings, learn from peers, and participate in leading practice development.

High Value Recommendations

Recommendation #1 – Review process for professional services purchasing and contracting

Professional services is the second largest USAS object code category with over 23% of all expenditures and over 9,700 unique vendors used over the 2 year review period. Professional services also require a larger effort in selection, the contracting process, and often times the payment process. With the average agency spend for professional service vendors being over \$5,000,000, it is a crucial to confirm that the process, controls and selection process has a tremendous amount of regulations and rigor.

While open competition is a critical factor in ensuring competitive pricing and proper credentials, the State of Texas should consider a pre-approval process for professional service suppliers based on their specific service category. A pre-approval process ensures that the firm is qualified to perform the services required, has all of the necessary insurance and

other certifications, and defines the rates by which each specific job title will be charged.

By establishing a rate card for all job titles, the State will have much more visibility into the required budget allocation and the time and effort that proposing firms anticipate being needed to complete the proposed project.

Additionally during the preapproval process, many of the complicated contracting points can be negotiated during the upfront process. This will also allow agencies who do not purchase professional services on a frequent basis to select from a specific pre-approved vendor list and relieve the stress of a complicated RFP process.

Recommendation #2 – Analyze spend for object codes “Supplies/Materials - Agriculture, Construction and Hardware” and “Parts - Furnishings and Equipment” for areas of additional consolidation

The object codes “Supplies/Materials - Agriculture, Construction and Hardware” and “Parts - Furnishings And Equipment” often described as Management, Repair, and Operations (MRO) supplies is one that has been the focus of significant effort within the central procurement agencies such as TPASS but still represents one of the largest categories for consolidation. This category represents over \$350MM spent with over 9,000 vendors used by more 45 agencies, 13 of which spend more than \$100k.

These purchases are often smaller, and can be critical to upkeep of facilities or equipment so when a supply/part is not available with a central contract, agencies are more likely to go to a vendor who has a part in stock or can provide it quickly. This contributes to an expanded vendor pool and does not lend itself to highly competitive pricing.

A review of common parts or part categories of purchased compared to current contracts will identify areas where centralized contracts will

have the greatest impact. Additionally, larger vendor contracts with statewide suppliers can increase spend with preferred vendors when a specific item is not currently under contract.

Recommendation #3 – Expand centers of knowledge or agency specialties

Specific areas of expertise or centers of knowledge should be identified and communicated statewide to allow for greater collaboration among agencies. Similarly to the way that building and heavy construction projects are procured by specific agencies, other core competencies of agencies should be leveraged across the State.

With greater visibility and communication between agencies, the pool of core vendors as well as baseline pricing should decrease in areas where agencies do not commonly perform purchasing and contracting.

A common list of spend categories and vendors within those categories should be available for all purchasing and contracting agents to ensure that the proper current vendors are identified for specific needs which are common across agencies.

Recommendation #4 – Analyze default delegated expenditures (<\$25K for goods and <\$100K for services)

Analyze default delegated expenditures for opportunities to centralize and consolidate purchasing activity.

Purchases by agencies under \$25K for goods and under \$100K for services are by default delegated and not required to undergo centralized review. A review of vendors and purchases may identify areas of high value opportunity.

Opportunities for centralization exists where similar vendors are used by multiple agencies or similar commodities or services are purchased from multiple vendors. Centralization and

consolidation of purchasing typically drives better pricing and would relieve purchasing burden of distributed agency staff.

Recommendation #5 – Enable end-to-end procurement cycle visibility

Full transparency of the procurement life cycle, status and related spend information will provide insights and oversight not available today. The State of Texas Procurement Cycle (shown in Figure 26) outlines the end-to-end procurement life-cycle. As Texas progresses towards the implementation of the CAPPs system it will be important to fully understand which elements of the Procurement Cycle are fully supported within CAPPs and those that are not. This information is critical in the State’s efforts to continuously improve and ensure the highest value to taxpayers.

End-to-end procurement cycle visibility will enable and support most of the leading practices identified throughout this report, including: cycle time management, error rates, service level agreements, staff leveling & optimization, staff planning, improved transparency broadly across the procurement cycle, spend analysis

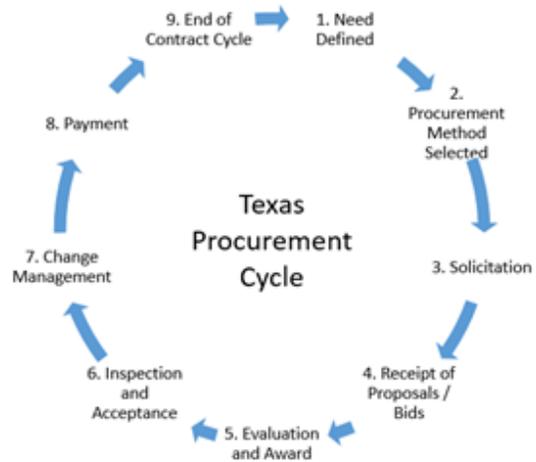


Figure 26. End-to-end procurement cycle example for Texas.

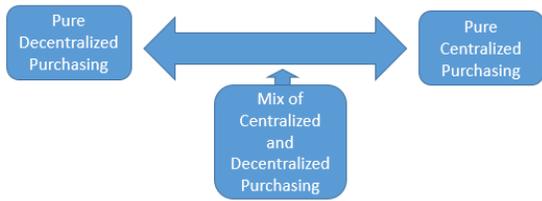


Figure 27. Potential alternatives for centralized purchasing.

regardless of delegation status or spend amount.

Alternatives Analysis for Centralized Purchasing

In the following section, several alternative models for purchasing are presented including pros/benefits and cons for each. See in Figure 27 a depiction of the spectrum of alternatives presented. The ends of the spectrum are purely centralized and purely decentralized models. We also provide a hybrid alternative incorporating a mix of centralized and decentralized purchasing.

Alternative #1 – Pure Centralized

A purely centralized structure is depicted in Figure 28. In this model, Texas Legislature appropriates funds for operating state government and the Federal Government appropriates funds and provides grant money. State legislation is enacted to establish statutes and codes relative to purchasing authority of a newly established Chief Procurement Officer (CPO) position and office.

Singular authority of the CPO is assigned to establish contracts for purchases for purchases of all goods and services for state agencies and local governments. The CPO utilizes agency subject matter experts to determine specifications and/or business needs for goods and services acquired. The CPO also has statutory approval, review, and reporting responsibilities associated with statewide purchasing.

The pure centralized model, under the direction of the CPO, has central ownership for establishing contracts for purchases of all goods and services based on agency needs. An

Alternative #1 – Pure Centralized

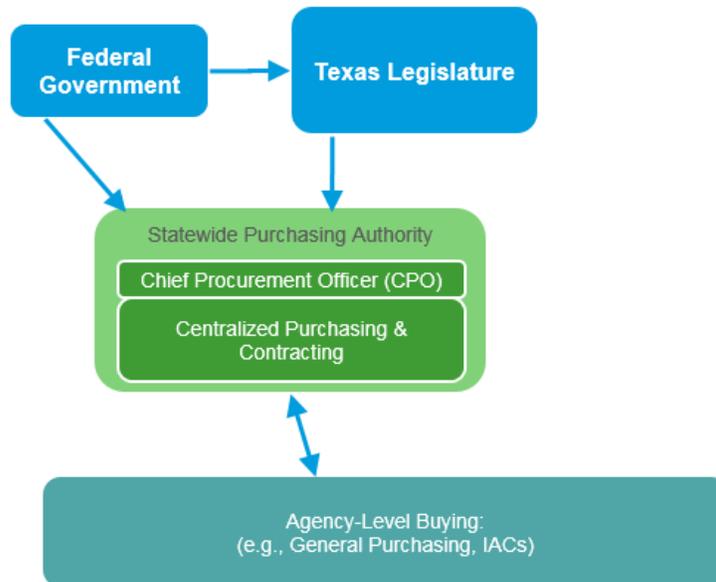


Figure 28. Alternative #1 for pure centralized option.

organization would exist under the direction of the CPO for central purchasing.

State agency buyers submit procurement requests to the central purchasing via TxSmartBuy.

Pros/Benefits:

- Single point of information and accountability to support the needs of Texas Legislature.
- Clearer lines of authority for contracting and purchasing activity.
- Higher consistency and controls in implementing shared processes.
- Improved visibility into opportunities to concentrate vendor pool and purchasing insights.
- Efficiencies of having fully dedicated and knowledgeable central purchasing staff would benefit smaller agencies with limited procurement needs and bandwidth.
- Continued adoption of central financial and procurement systems (CAPPS and TxSmartBuy).
- Increased transparency from reporting and visibility to procurement activity.

Cons:

- Fully centralized execution is still highly dependent on agency support and contribution of subject matter knowledge.
- Potential of agency dissatisfaction without highly efficient processes and defined SLAs to ensure agency needs are met.
- Centralized Purchasing would need to expand their duties to include support outside of master contracting (e.g., general purchasing, service contracts).

Alternative #2 – Centralized with Delegated Authority

The second alternative of a centralized structure with delegated authority is depicted in Figure 29. In this model, Texas Legislature appropriates funds for operating state government and the Federal Government appropriates funds and provides grant money. State legislation is enacted to establish statutes and codes relative to purchasing authority of a newly established Chief Procurement Officer (CPO) position and office.

The CPO has singular authority to establish contracts for purchases of all goods and services for state agencies and local governments; however, the CPO can also delegate specialized contracting and purchasing authority to agencies. Optionally, statutory approval, review, and reporting responsibilities associated with statewide purchasing may be with the CPO or other government entities.

The centralized with delegated authority model has both central ownership for establishing contracts and delegation granted by the CPO to agencies for purchases of goods and services. Like in the pure centralized model, an organization would exist under the CPO direction for central purchasing.

The majority of agencies are fully centralized leveraging central purchasing function for procurement and contract management of commodity purchasing and supporting smaller agency buyers.

The CPO can, in negotiation with agencies based on need instead of dollar amount delegation, selectively delegate DIR and other agencies (TxDOT, HHSC, etc.) with authority to establish contracts and make purchases of specialized goods and services. Minimal contracting and direct purchasing activity should occur by individual agencies. Agencies with delegated authority may also have the need to

Alternative #2 – Centralized with Delegated Authority

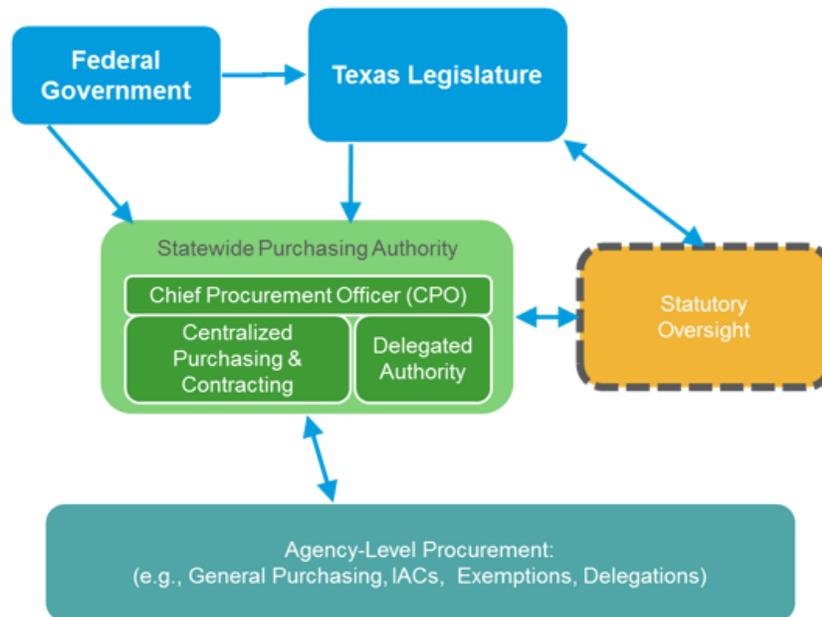


Figure 29. Alternative #2 for centralized with delegated authority.

establish separate structures for specific exempt purchasing.

Pros/Benefits:

- Single point of information and accountability to support Legislative needs.
- Single authority to grant, control and manage exceptions through delegation.
- Higher degree of purchasing transparency and knowledge will enable visibility into opportunities to concentrate vendor pool and purchasing insights.
- Maintaining specialized purchasing knowledge through specific delegated purchasing.
- Leverages existing central purchasing occurring in Texas (DIR, SPD [previously TPASS], TxDOT, HHSC, etc.).
- Eliminating dollar-based default delegation may reduce (based on current spend patterns) administrative

costs associated to procurement for the State in smaller agencies.

- There are 44 Agencies supporting purchasing and contracting activities with fractional FTEs. Redirecting purchasing to a more experienced centralized staff may reduce purchasing risks associated to experience level and process robustness.
- Reduce the procurement training and certification burden on agencies in small spend categories.
- Enable smaller agencies to focus more on their core mission and competencies.

Cons:

- Clear approach to strategy must be defined, for example: What types of delegated authority will be allowed (exception based and/or default)?
- Unclear visibility into opportunities for delegated purchases

- Delegated purchases results in some duplication of contracting and purchasing jobs across agencies.
- Potential loss of controls and oversight from delegated purchasing.
- Centralized Purchasing would need to expand their duties to include support outside of master contracting (e.g., general purchasing, service contracts).
- Centralized Purchasing would need to operate with efficient agency interactions and SLAs.

Alternative #3 – Decentralized with Central Oversight

The third alternative is a decentralized structure with central oversight (see Figure 30). As in the other alternative models, Texas Legislature appropriates funds for operating state government and the Federal Government appropriates funds and provides grant money. State legislation is enacted to establish statutes and codes relative to purchasing authority of a

newly established Chief Procurement Officer (CPO) position and office.

Authority of CPO to oversee the contracting and purchase of all goods and services by state agencies and local governments. The CPO defines common standards and policies for contracting and purchase of all goods and services by agencies. Optionally, statutory approval, review, and reporting responsibilities associated with statewide purchasing may be with the CPO or other government entities.

Decentralized purchasing authority at agency level. Individual agencies and local governments establish contracts and purchase goods and services.

Pros/Benefits:

- Single point of information to support Legislative needs; however, accountability may be a challenge given

Alternative #3 – Decentralized with Central Oversight

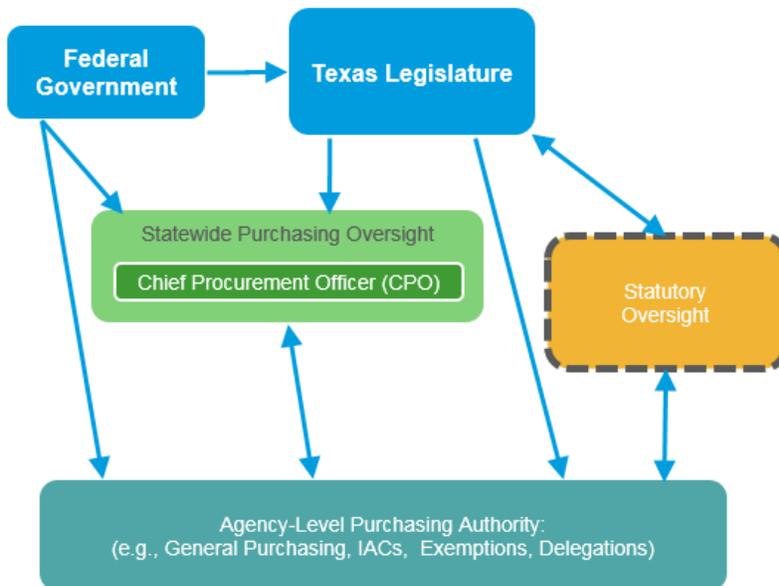


Figure 30. Alternative #3 for decentralized with central authority.

the breadth of contracting and purchasing activity requiring oversight.

- Specialized purchasing knowledge and expertise maintained at the agency level.
- Increased satisfaction from agencies because their perception is they have more direct control of the contracting and purchasing process.

Cons:

- High degree of oversight required to ensure proper application and compliance with standards and policies for contracting and purchase of all goods and services by agencies.
- Continued burden for smaller agencies required to do contracting and purchasing themselves.
- Decentralized purchasing cause duplication of contracting and purchasing jobs across agencies.
- Loss of controls and oversight of contracting and purchasing activities.
- Duplication of vendors for similar purchases and lost opportunities to consolidate vendors for beneficial pricing.
- Potential impact to adoption of central financial and procurement systems (CAPPS and TxSmartBuy).
- Lesser degree of purchasing transparency and visibility distributed contracting and purchasing activities.

Key Considerations for Consolidating State Purchasing Functions

Consolidating state purchasing functions into fewer state agencies or one state agency would potentially be a complex undertaking. This section outlines some key considerations for successful consolidation of purchasing and/or centralized procurement authority.

Implementation of a Chief Procurement Officer (CPO) and staff would provide strong governance during and after the transition. A new CPO could exist within an existing office or

independent. This step is consistent with leading practices across researched sources. Evaluation of viable alternative solutions for Texas to select the optimal model for centralized purchasing should include developing a business case and establishing measures to ensure the value from centralizing procurement is realized. Prepare the state agencies for the change (communications, policies and procedures, training, etc.).

Carefully design central processes and implement industry leading end-to-end eProcurement systems. Fully leverage technology solutions to automate as much of the procurement processes as possible. The end goal is procurement processes that are done completely within the system with as little human intervention as possible from requisition, to receiving, to accounts payable. Utilization of workflow and automatic or pre-approvals would allow a higher percentage of touchless transactions.

Increase transparency to understand what Texas spends and where it is spent across all agencies. Having a robust spend analytics function will allow Texas to dutifully spend the taxpayer's money promoting improved fiscal responsibility. Continual analysis of spend will allow Texas to identify potential areas for cost savings as well as consolidation and centralization.

Utilize benchmarking to drive efficiencies and cost savings. Upon the completion of the CAPPS rollout, Texas should have a solid baseline to establish the metrics and benchmarks that it will measure itself against. By defining benchmarks that Texas wishes to measure, the State will be able to, benchmark each agency against each other and determine how Texas procurement stacks up to industry leading practices.

Drive suppliers to work within the State's e-procurement system. The size of Texas' spend should allow the State to drive significant vendors to work within the CAPPS system,

automating many of the procurement steps. Ensure that vendors are submitting electronic invoices that can be systematically approved and paid without the need for additional manual intervention.

Define and measure success related to any efforts to consolidate purchasing functions in Texas. Define the metrics that will be measured both from potential cost savings and efficiencies gained from centralizing and consolidating purchasing. Create annual targets with sign-off from agencies and hold agencies accountable for achieving targets.

Critical Steps to Implement

Key Steps to Implement:

- Conduct working session(s) to clarify and provide a common understanding of the current state of contracting and purchasing personnel and practices
- Define objectives for the future and criteria to evaluate solution alternatives
- Assign core leaders (1 or 2) to be accountable for the success of initiatives and confirm other roles (e.g., Steering, SMEs, other core team members)
- Ensure strong project and communications management throughout implementation
- Utilize defined escalation process to make certain all issues/concerns are escalated timely and through appropriate channels
- Steering team to determine the best path forward among alternatives set clear guideposts (priorities, resources, appropriate accountability for results, acceptable risks, etc.)
- Detailed planning for successful implementation of selected alternative, including: goals, objectives, strategies, responsible parties, projected budget, needed external resources, and timeline.
- Periodic verification and status reporting of progress (including problem reporting)
- Develop an implementation timeline that promotes early success and drives momentum
- Adequately prepare those impacted by the implementation
- Effective transition
- On-going optimization

NEXT STEPS

This section provides details regarding next steps following completion of this Purchasing Study.

Section contents:

- Comptroller's preparation of SB 20 Study to submit to Texas Legislature
- 85th Texas legislature

Comptroller's Preparation of SB 20 Study to Submit to Texas Legislature

This Purchasing Study was to source data and comparable research to inform requirements of Section 403.03057 of the Texas Government Code as adopted in SB 20. The Comptroller will next examine the feasibility and practicality of

consolidating state purchasing functions and examine the cost savings. The Comptroller's SB 20 report of findings will include: projected cost savings in consolidating state purchasing, processes to implement consolidation, list of state agencies with purchasing responsibilities, and total cost to Texas of purchasing responsibilities for each state agency.

85th Texas Legislature

Results from the SB 20 Study will be submitted by Comptroller to Texas Legislature. The 85th Texas Legislature will next consider enactment of statutes and codes to reform state agency contracting by clarifying accountability, increased transparency, and ensuring a fair and competitive process.

REFERENCES

- The Governing Institute Survey Summary
 - <http://www.governing.com/topics/finance/gov-procurement-special-report.html>
- State Procurement Manuals
 - Georgia http://pur.doas.ga.gov/gpm/MyWebHelp/GPM_Main_File.htm
 - Virginia https://eva.virginia.gov/library/files/APSPM/APSPM_ALL.pdf
 - Minnesota <http://www.mmd.admin.state.mn.us/pdf/alpmanual.pdf>
- NIGP Public Procurement Benchmark Survey Reports
 - <https://www.nigp.org/docs/default-source/New-Site/research-reports/2010benchmarksurvey.pdf?sfvrsn=2>
 - <http://www.nigp.org/docs/default-source/New-Site/research-reports/nigp2012benchmark.pdf?sfvrsn=2>
- NASPO Survey and Guidelines Publications
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 - <https://www.apqc.org/knowledge-base/documents/looking-beyond-centralized-and-decentralized-procurement>
- U.S. Health and Human Services (HHS) - <http://www.hhs.gov/idealab/2013/02/04/the-lean-virus-has-hit-the-federal-government-kaizen/>
- U.S. Environmental Protection Agency - <https://www.epa.gov/lean>
- State of Colorado - <https://sites.google.com/a/state.co.us/ospb-live/lean>
- California – <http://www.dgs.ca.gov/pd/Home.aspx>
- New York – <http://www.ogs.ny.gov/bu/pc/>

APPENDICIES

[Appendix A: SB 20 Agencies](#)

[Appendix B: SB 20 State Contracting and Purchasing Questionnaire](#)

[Appendix C: Applicable Texas State USAS Object Codes](#)

[Appendix D: Agency Expenditures to All Funds](#)

[Appendix E: Lists of Key Vendors](#)

[Appendix F: Purchases by Personnel for Fiscal Years 2014-2015](#)



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APPENDIX A

SB 20 AGENCIES

CENTRALIZED PURCHASING STUDY OF TEXAS STATE AGENCIES

Texas Comptroller of Public Accounts

AGENCIES IN THE SB 20 STUDY

The following state agencies have been selected for the Comptroller's study. The list excludes institutions of higher education, which are not required to use the CAPPS system and receive all or partial funding from sources not appropriated by the Legislature.

- **101** Senate (**)
- **102** House of Representatives (**)
- **103** Texas Legislative Council (**)
- **104** Legislative Budget Board
- **105** Legislative Reference Library (**)
- **116** Sunset Advisory Commission
- **201** Supreme Court (**)
- **211** Court of Criminal Appeals
- **212** Office of Court Administration
- **213** Office of State Prosecuting Attorney
- **215** Office of Capital Writs (**)
- **221** Court of Appeals - First Court of Appeals District
- **222** Court of Appeals - Second Court of Appeals District
- **223** Court of Appeals - Third Court of Appeals District
- **224** Court of Appeals - Fourth Court of Appeals District
- **225** Court of Appeals - Fifth Court of Appeals District
- **226** Court of Appeals - Sixth Court of Appeals District
- **227** Court of Appeals - Seventh Court of Appeals District
- **228** Court of Appeals - Eighth Court of Appeals District
- **229** Court of Appeals - Ninth Court of Appeals District
- **230** Court of Appeals - Tenth Court of Appeals District
- **231** Court of Appeals - Eleventh Court of Appeals District
- **232** Court of Appeals - Twelfth Court of Appeals District
- **233** Court of Appeals - Thirteenth Court of Appeals District
- **234** Court of Appeals - Fourteenth Court of Appeals District
- **242** State Commission on Judicial Conduct
- **243** State Law Library
- **300** Governor - Fiscal (also 301)
- **302** Attorney General
- **303** Texas Facilities Commission
- **304** Comptroller of Public Accounts (also 241, 311, 365, 902, 907, 930)
- **305** General Land Office (also 326)
- **306** Texas State Library and Archives Commission
- **307** Secretary of State
- **308** State Auditor (**)
- **312** State Securities Board
- **313** Department of Information Resources
- **320** Texas Workforce Commission
- **323** Teacher Retirement System of Texas
- **326** Texas Emergency Services Retirement System
- **327** Employees Retirement System of Texas
- **329** Texas Real Estate Commission
- **332** Texas Department of Housing and Community Affairs
- **338** State Pension Review Board
- **347** Texas Public Finance Authority

- **352** Bond Review Board
- **356** Texas Ethics Commission
- **359** Office of Public Insurance Counsel
- **360** State Office of Administrative Hearings
- **362** Texas Lottery Commission
- **364** Health Professions Council
- **401** Texas Military Department
- **403** Texas Veterans Commission
- **405** Department of Public Safety
- **407** Texas Commission on Law Enforcement
- **409** Commission on Jail Standards
- **411** Texas Commission on Fire Protection
- **448** Office of Injured Employee Counsel
- **450** Department of Savings and Mortgage Lending
- **451** Texas Department of Banking
- **452** Texas Department of Licensing and Regulation
- **454** Texas Department of Insurance
- **455** Railroad Commission of Texas
- **456** Board of Plumbing Examiners
- **457** Texas State Board of Public Accountancy
- **458** Texas Alcoholic Beverage Commission
- **459** Texas Board of Architectural Examiners
- **460** Texas Board of Professional Engineers
- **464** Texas Board of Professional Land Surveying
- **466** Office of Consumer Credit Commissioner
- **469** Credit Union Department
- **473** Public Utility Commission of Texas
- **475** Office of Public Utility Counsel
- **476** Texas Racing Commission
- **477** Commission on State Emergency Communications
- **479** State Office of Risk Management
- **481** Texas Board of Professional Geoscientists
- **503** Texas Medical Board
- **504** State Board of Dental Examiners
- **507** Texas Board of Nursing
- **508** Texas Board of Chiropractic Examiners
- **512** State Board of Podiatric Medical Examiners
- **513** Texas Funeral Service Commission
- **514** Texas Optometry Board
- **515** Texas State Board of Pharmacy
- **520** Board of Examiners of Psychologists
- **529** Health and Human Services Commission
- **530** Department of Family and Protective Services
- **533** Executive Council of Physical and Occupational Therapy Examiners
- **537** Department of State Health Services
- **538** Department of Assistive and Rehabilitative Services
- **539** Department of Aging and Disability Services
- **542** Cancer Prevention and Research Institute of Texas
- **551** Department of Agriculture
- **554** Texas Animal Health Commission
- **578** State Board of Veterinary Medical Examiners
- **580** Texas Water Development Board

- **582** Texas Commission on Environmental Quality
- **592** Soil and Water Conservation Board
- **601** Texas Department of Transportation
- **608** Texas Department of Motor Vehicles
- **644** Texas Juvenile Justice Department
- **696** Texas Department of Criminal Justice
- **701** Texas Education Agency
- **802** Parks and Wildlife Department
- **808** Texas Historical Commission
- **809** State Preservation Board
- **813** Texas Commission on the Arts

Notes:

(*) This list remains subject to change at Comptroller's discretion.

(**) These 7 agencies did not respond to the questionnaire.

For the purposes of the SB20 report, the agencies have been categorized into distinct expenditure tiers based on each agencies total spend on goods and services for the 2015 fiscal year. See below a listing of the SB20 state agencies and their assigned tier.

Agency Tier	Agency Number	Agency Name	2015	
			Total Spend	Transactions
Under \$100K	213	Office of State Prosecuting Attorney	\$ 11,469	26
	233	Court of Appeals – Thirteenth Court of Appeals District	\$ 12,970	65
	226	Court of Appeals – Sixth Court of Appeals District	\$ 14,591	25
	229	Court of Appeals – Ninth Court of Appeals District	\$ 14,930	6
	230	Court of Appeals – Tenth Court of Appeals District	\$ 27,881	92
	227	Court of Appeals – Seventh Court of Appeals District	\$ 28,158	112
	232	Court of Appeals – Twelfth Court of Appeals District	\$ 28,459	69
	464	Texas Board of Professional Land Surveying	\$ 29,166	78
	228	Court of Appeals – Eighth Court of Appeals District	\$ 29,585	83
	512	State Board of Podiatric Medical Examiners	\$ 34,868	66
	231	Court of Appeals – Eleventh Court of Appeals District	\$ 41,251	122
	116	Sunset Advisory Commission	\$ 43,698	99
	242	State Commission on Judicial Conduct	\$ 44,164	94
	533	Executive Council of Physical and Occupational Therapy Examiners	\$ 49,227	178
	222	Court of Appeals – Second Court of Appeals District	\$ 49,820	186
	409	Commission on Jail Standards	\$ 50,077	124
	514	Texas Optometry Board	\$ 55,083	80
	359	Office of Public Insurance Counsel	\$ 57,965	98
	508	Texas Board of Chiropractic Examiners	\$ 62,599	178
	224	Court of Appeals – Fourth Court of Appeals District	\$ 65,270	179
	520	Board of Examiners of Psychologists	\$ 67,279	207
	234	Court of Appeals – Fourteenth Court of Appeals District	\$ 72,475	71
	338	State Pension Review Board	\$ 75,773	48
	105	Legislative Reference Library	\$ 78,253	115
	352	Bond Review Board	\$ 79,828	91
	211	Court of Criminal Appeals	\$ 81,095	199
223	Court of Appeals – Third Court of Appeals District	\$ 81,764	72	
578	State Board of Veterinary Medical Examiners	\$ 86,134	235	
215	Office of Capital Writs	\$ 91,620	181	

Agency Tier	Agency Number	Agency Name	2015	
			Total Spend	Transactions
\$100K - \$1MM	221	Court of Appeals – First Court of Appeals District	\$ 106,834	37
	481	Texas Board of Professional Geoscientists	\$ 107,371	111
	513	Texas Funeral Service Commission	\$ 111,983	124
	813	Texas Commission on the Arts	\$ 114,972	165
	459	Texas Board of Architectural Examiners	\$ 116,012	207
	411	Texas Commission on Fire Protection	\$ 155,852	385
	450	Department of Savings and Mortgage Lending	\$ 179,683	269
	469	Credit Union Department	\$ 214,836	258
	225	Court of Appeals – Fifth Court of Appeals District	\$ 222,054	132
	448	Office of Injured Employee Counsel	\$ 248,222	216
	243	State Law Library	\$ 302,784	163
	460	Texas Board of Professional Engineers	\$ 312,852	558
	201	Supreme Court	\$ 317,883	424
	312	State Securities Board	\$ 344,341	500
	456	Board of Plumbing Examiners	\$ 371,837	538
	407	Texas Commission on Law Enforcement	\$ 396,096	438
	476	Texas Racing Commission	\$ 440,943	610
	364	Health Professions Council	\$ 454,017	96
	475	Office of Public Utility Counsel	\$ 471,328	188
	360	State Office of Administrative Hearings	\$ 475,381	948
	457	Texas State Board of Public Accountancy	\$ 595,698	698
	504	State Board of Dental Examiners	\$ 644,207	1,195
	329	Texas Real Estate Commission	\$ 761,978	643
	466	Office of Consumer Credit Commissioner	\$ 848,577	664
	451	Texas Department of Banking	\$ 905,083	969
	326	Texas Emergency Services Retirement System	\$ 918,630	208
	515	Texas State Board of Pharmacy	\$ 997,883	732

Agency Tier	Agency Number	Agency Name	2015	
			Total Spend	Transactions
\$1MM - \$10MM	104	Legislative Budget Board	\$ 1,114,398	252
	101	Senate	\$ 1,302,625	2,141
	102	House of Representatives	\$ 1,446,444	1,256
	403	Texas Veterans Commission	\$ 1,565,814	1,551
	356	Texas Ethics Commission	\$ 1,852,667	233
	452	Texas Department of Licensing and Regulation	\$ 1,903,104	1,632
	503	Texas Medical Board	\$ 2,141,733	4,533
	554	Texas Animal Health Commission	\$ 2,165,407	1,788
	332	Texas Department of Housing and Community Affairs	\$ 2,245,909	1,664
	479	State Office of Risk Management	\$ 2,966,248	295
	212	Office of Court Administration	\$ 3,012,536	1,316
	507	Texas Board of Nursing	\$ 3,615,457	879
	347	Texas Public Finance Authority	\$ 3,632,811	307
	308	State Auditor	\$ 3,765,634	321
	477	Commission on State Emergency Communications	\$ 4,288,511	261
	473	Public Utility Commission of Texas	\$ 4,627,645	829
	103	Texas Legislative Council	\$ 4,980,703	2,268
	592	Soil and Water Conservation Board	\$ 5,061,625	976
	458	Texas Alcoholic Beverage Commission	\$ 5,931,156	2,810
	580	Texas Water Development Board	\$ 7,412,847	1,741
307	Secretary of State	\$ 9,265,466	910	

Agency Tier	Agency Number	Agency Name	2015	
			Total Spend	Transactions
\$10MM - \$100MM	551	Department of Agriculture	\$ 10,873,853	3,543
	809	State Preservation Board	\$ 11,513,473	5,796
	542	Cancer Prevention and Research Institute of Texas	\$ 13,063,804	631
	808	Texas Historical Commission	\$ 13,122,961	5,334
	454	Texas Department of Insurance	\$ 14,388,511	4,441
	306	Texas State Library and Archives Commission	\$ 14,987,703	1,324
	327	Employees Retirement System of Texas	\$ 21,368,640	3,384
	313	Department of Information Resources	\$ 21,404,133	2,223
	644	Texas Juvenile Justice Department	\$ 25,222,697	14,800
	320	Texas Workforce Commission	\$ 27,487,989	9,479
	455	Railroad Commission of Texas	\$ 33,271,235	5,179
	538	Department of Assistive and Rehabilitative Services	\$ 44,969,716	12,206
	401	Texas Military Department	\$ 47,068,849	10,945
	300	Governor – Fiscal	\$ 52,222,204	864
	608	Texas Department of Motor Vehicles	\$ 58,764,315	6,221
	302	Attorney General	\$ 63,745,319	15,886
	303	Texas Facilities Commission	\$ 66,161,801	6,690
	304	Comptroller of Public Accounts	\$ 68,207,370	5,716
	323	Teacher Retirement System of Texas	\$ 82,926,569	2,193
802	Parks and Wildlife Department	\$ 86,162,096	62,807	
582	Texas Commission on Environmental Quality	\$ 87,977,251	16,797	

Agency Tier	Agency Number	Agency Name	2015	
			Total Spend	Transactions
Over \$100 MM	530	Department of Family and Protective Services	\$ 151,547,039	18,599
	362	Texas Lottery Commission	\$ 157,366,751	2,058
	701	Texas Education Agency	\$ 164,336,076	4,089
	539	Department of Aging and Disability Services	\$ 248,272,179	69,965
	405	Department of Public Safety	\$ 268,685,413	25,495
	305	General Land Office	\$ 323,450,859	9,743
	537	Department of State Health Services	\$ 467,500,936	78,565
	696	Texas Department of Criminal Justice	\$ 762,343,766	117,955
	529	Health and Human Services Commission	\$ 959,961,321	60,806
	601	Texas Department of Transportation	\$ 6,661,770,427	190,902



APPENDIX B

SB 20 STATE CONTRACTING AND PURCHASING QUESTIONNAIRE

CENTRALIZED PURCHASING STUDY OF TEXAS STATE AGENCIES

Texas Comptroller of Public Accounts

SB 20 STATE CONTRACTING AND PURCHASING QUESTIONNAIRE

SB 20 State Contracting and Purchasing Questionnaire

TX SB20 Questionnaire Intro

Senate Bill 20 State Contracting and Purchasing Questionnaire

Senate Bill 20 (SB 20), 84th Legislature, Regular Session, is intended to reform state agency contracting by clarifying accountability, increasing transparency and ensuring a fair, competitive process. SB 20 also charged the Comptroller's office with conducting a study of the state purchasing process. This questionnaire will provide data important to the completion of the study. The questionnaire has been developed by RSM US LLP, the consultants procured by the Comptroller of Public Accounts to conduct data analysis and benchmarking to inform the SB-20-mandated Centralized State Purchasing Study.

Your complete and timely response to the questionnaire is appreciated. Your agency contact(s) may be asked to provide additional information or to participate in an interview to further clarify your responses.

[For additional details regarding this study as it relates to SB 20, please visit \[http://comptroller.texas.gov/procurement/sb20_info/study.html\]\(http://comptroller.texas.gov/procurement/sb20_info/study.html\)](#)

The completed questionnaire document should be submitted to Gerard MacCrossan at gerard.maccrossan@cpa.texas.gov by Friday, April 29, 2016.

State Agency:

Agency number
Name of your state agency

Approved By:

Name of approver

Agency Point of Contact:

Please provide contact information for the person responsible for completing this questionnaire for your agency and who will be available for follow-up questions related to responses within.

Contact #1 Name:

Last Name, First Name
Street address
City, State Zip

Address:

Street address
City, State Zip

E-mail:

username@email.com

E-mail:

username@email.com

Phone:

000-000-0000

Phone:

000-000-0000

Contact #2 Name:

Last Name, First Name

Address:

Street address
City, State Zip

E-mail:

username@email.com

Phone:

000-000-0000

Questions? Contact Gerard MacCrossan at gerard.maccrossan@cpa.texas.gov / 512-463-4468.

1.3 Unfilled or posted job openings for contracting and purchasing positions:

Job Classification Title	Full-time or Part-time Position?	Budgeted?	Gross Annual Salary	% Time on Contracting	% Time on Purchasing	Desired Certification(s)	Length of Time Not Filled
Enter job title...	Select answer...	Select answer...	\$ -	0%	0%	List any certifications...	Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...
	Select answer...	Select answer...	\$ -	0%	0%		Select answer...

1.4 Is your agency's current training budget sufficient to support State of Texas contract and purchasing training, certification and re-certification requirements?

Select answer...

1.5 Does the TPASS training program currently offer sufficient training for contracting and purchasing personnel?

Select answer...

1.6 If you answered training is insufficient for contracting and purchasing, what is lacking?

1.7 Provide the total number of agency employees budgeted under your agency code for fiscal year 2016:

0

1.8 On the "Attach A_Org Chart" tab or as a separate attachment, please provide up-to-date organizational charts of your purchasing division/office and contract management staff.

1.9 Please provide any additional information pertaining to contracting and purchasing personnel not already provided:

2.5 What is the average contracting cycle time for purchases over \$25,000, in number of calendar days, from purchaser's receipt of fully approved requisition to purchase order issuance or contract award?

	Answer
a. Commodities	Select answer...
b. Professional services	Select answer...
c. Other, please describe below:	Select answer...

2.6 Does your agency use P-cards for any purchases (commodities, travel, etc.)?

2.7 If employees at your agency (including non-purchasing staff) have P-cards for purchases, please provide information pertaining to their usage of P-cards:

	Answer
a. How many employees within your agency have P-cards?	0
b. What is the typical threshold amount for an individual P-card?	\$ -
c. What is the highest threshold amount for an issued P-card?	\$ -
d. What is the total value of P-card spend per fiscal year?	
	FY 2014 \$ -
	FY 2015 \$ -

2.8 Estimate the percentage of contracting and purchasing transactions that require changes to correct errors made during the initial issuing of the order (e.g., pricing, quantity, receiving documents, miscellaneous errors)?

1-5%	6-10%	11-20%	21-50%	Over 50%	Never had a correction

2.9 What financial, purchasing or contract management system(s) does your agency currently use?

Financial or Purchasing Systems(s)	Select all that apply
a. USAS	
b. CAPPs	
c. Excel, Access, or other desktop applications	
d. Other, please specify below.	

2.10 Describe any specialized experience and certifications, other than prescribed state certifications, needed by contracting and purchasing staff to perform the business of your agency.

2.11 Assess the current effectiveness of contracting and purchasing practices in place at your agency:

Select answer...

2.12 Where in the contracting and purchasing cycle could your agency improve?

Practice	Select all that apply
a. Procurement/Strategic Sourcing (Bidding, RFP, etc.)	
b. Contracting & Contract Management	
c. Vendor Performance Management	
d. Vendor Risk Management	
e. Accounts Payable	
f. Budgeting	
g. Cost Management/ Cost Savings	
h. Other, please specify below:	

2.13 Does your agency currently track or maintain any specific contracting or purchasing metrics?

Contracting or Purchasing Metric	Select all that apply
a. Return on investment	
b. Cost savings or cost reductions	
c. Procurement cycle time	
d. Percent of spend under contract	
e. Percent of spend competitively sourced	
f. Percent of spend managed in agency	
g. Percent of purchases requiring re-work	
h. Spend per FTE	
i. Other, please specify below:	

2.14 In the "Attach B_Key Agency Vendors" tab, please provide a list of key vendors used by your agency.

2.15 Please provide any additional information pertaining to contracting and purchasing practices within this agency not already provided:

3.0 Contracting and Purchasing Data

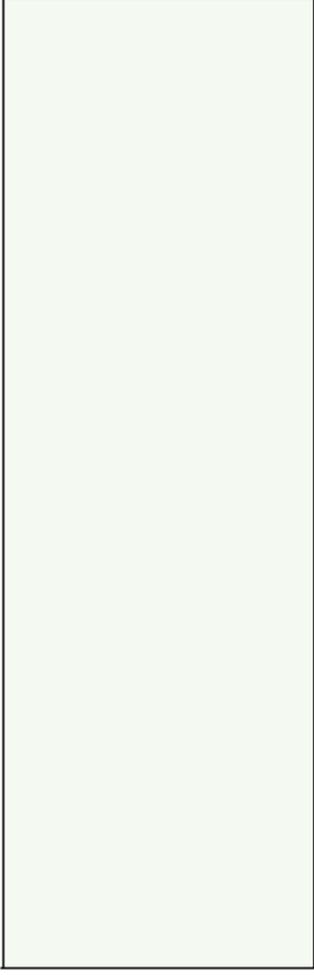
3.1 In the "Attach C_Purchases by Personnel" tab, please provide the number and value of contracts executed and the number and value of purchases by personnel in fiscal years 2014-2015.

3.2 Please provide any additional information pertaining to contracting and purchasing data not already provided:

[See EAO worksheet for additional details.](#)

4.0 Other Information

4.1 Enter any other requests, concerns, recommendations, etc.



[See SB0 worksheet for additional details.](#)

SB 20 State Contracting and Purchasing Questionnaire

Attach A_Org Chart

Attachment A: Organizational Charts

Please provide up-to-date organizational charts of your purchasing division/office and contract management staff.
Insert below or provide as a separate attachment

[See FAO worksheet for additional details.](#)

SB 20 State Contracting and Purchasing Questionnaire

Attach B_Key Agency Vendors

Vendor ID	Vendor Name	Products or Services Provided	Who is the Primary Contractee?	Comments

Frequently Asked Questions

1. What is the difference between contracting and purchasing?

Contracting is defined as the process to enter into a formal agreement for goods and/or the delivery of services. The contracting process typically involves analysis of requirements, evaluating possible vendors, contract negotiation to select a vendor, and managing the vendor contract. Contract management practices and reporting of contracts across state government agencies ensure accountability and transparency. Purchasing is the process to acquire goods and services under a pre-existing contract or using delegated authority to buy items not on contract. The purchasing process broadly includes steps from issuing the purchase order through receipt of ordered goods and services.

2. Are you accepting multiple questionnaires from an agency or just one response per agency?

We prefer to accept one response pertaining to the agency code listed in the list of 109 state agencies involved in the SB 20 study. Please contact Gerard MacCrossan at gerard.maccrossan@opa.texas.gov / 512-463-4468 to discuss any exceptions.

3. What should I provide for Payroll ID Number?

The Payroll ID Number is the seven-digit Pos. No. on the employee's payroll statement. You should not provide the employee's SSN.

4. What is meant by the term "competitively sourced?"

Competitively sourced goods and services are purchased under a contract entered into after the process to invite or advertise for vendors to engage in a competitive bidding process for preferential pricing.

5. What is meant by the term "primary contractee?"

The primary contractee is the agency who enters into the contract with a vendor. Other agencies may purchase goods and services from the vendor; however, the primary contractee agency is the primary point of contact for the state.

6. Who do I provide as the "purchaser" for contracts?

For contacting, the "purchaser" is the main person who led the process to enter into the contract. The purchaser is not necessarily the person who signed the contract or a person who purchases goods and services under contract. The intent of this section is to identify whomever leads the effort to negotiate and agree to the contract terms.

Examples:

- a. For a managed contract for commodities or services, the purchaser who identified the requirements, evaluated vendors and negotiated contract.
- b. For a solicitation that establishes a one-time contract, it could be a purchaser like in the managed contract scenario, or more appropriately a contract counsel or a contract manager.

7. What agencies are submitting data from the SB 20 purchasing study?

2015 State Agencies - SB 20 State Purchasing Study
101 Senate
102 House of Representatives

SB 20 State Contracting and Purchasing Questionnaire

FAQ

103	Texas Legislative Council
104	Legislative Budget Board
105	Legislative Reference Library
116	Sunset Advisory Commission
201	Supreme Court
211	Court of Criminal Appeals
212	Office of Court Administration
213	Office of State Prosecuting Attorney
215	Office of Capital Writs
221	Court of Appeals – First Court of Appeals District
222	Court of Appeals – Second Court of Appeals District
223	Court of Appeals – Third Court of Appeals District
224	Court of Appeals – Fourth Court of Appeals District
225	Court of Appeals – Fifth Court of Appeals District
226	Court of Appeals – Sixth Court of Appeals District
227	Court of Appeals – Seventh Court of Appeals District
228	Court of Appeals – Eighth Court of Appeals District
229	Court of Appeals – Ninth Court of Appeals District
230	Court of Appeals – Tenth Court of Appeals District
231	Court of Appeals – Eleventh Court of Appeals District
232	Court of Appeals – Twelfth Court of Appeals District
233	Court of Appeals – Thirteenth Court of Appeals District
234	Court of Appeals – Fourteenth Court of Appeals District
242	State Commission on Judicial Conduct
243	State Law Library
300	Governor – Fiscal
302	Attorney General
303	Texas Facilities Commission
304	Comptroller of Public Accounts
305	General Land Office
306	Texas State Library and Archives Commission
307	Secretary of State
308	State Auditor
312	State Securities Board
313	Department of Information Resources
320	Texas Workforce Commission
323	Teacher Retirement System of Texas
326	Texas Emergency Services Retirement System
327	Employees Retirement System of Texas
329	Texas Real Estate Commission

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FAQ

332	Texas Department of Housing and Community Affairs
338	State Pension Review Board
347	Texas Public Finance Authority
352	Bond Review Board
356	Texas Ethics Commission
359	Office of Public Insurance Counsel
380	State Office of Administrative Hearings
382	Texas Lottery Commission
384	Health Professions Council
401	Texas Military Department
403	Texas Veterans Commission
405	Department of Public Safety
407	Texas Commission on Law Enforcement
409	Commission on Jail Standards
411	Texas Commission on Fire Protection
448	Office of Injured Employee Counsel
450	Department of Savings and Mortgage Lending
451	Texas Department of Banking
452	Texas Department of Licensing and Regulation
454	Texas Department of Insurance
455	Railroad Commission of Texas
456	Board of Plumbing Examiners
457	Texas State Board of Public Accountancy
458	Texas Alcoholic Beverage Commission
459	Texas Board of Architectural Examiners
480	Texas Board of Professional Engineers
484	Texas Board of Professional Land Surveying
486	Office of Consumer Credit Commissioner
489	Credit Union Department
473	Public Utility Commission of Texas
475	Office of Public Utility Counsel
476	Texas Racing Commission
477	Commission on State Emergency Communications
479	State Office of Risk Management
481	Texas Board of Professional Geoscientists
503	Texas Medical Board
504	State Board of Dental Examiners
507	Texas Board of Nursing
508	Texas Board of Chiropractic Examiners
512	State Board of Podiatric Medical Examiners

SB 20 State Contracting and Purchasing Questionnaire

FAQ

513 Texas Funeral Service Commission
 514 Texas Optometry Board
 515 Texas State Board of Pharmacy
 520 Board of Examiners of Psychologists
 529 Health and Human Services Commission
 530 Department of Family and Protective Services
 533 Executive Council of Physical and Occupational Therapy Examiners
 535 Texas Low-Level Radioactive Waste Disposal Compact Commission
 537 Department of State Health Services
 538 Department of Assistive and Rehabilitative Services
 539 Department of Aging and Disability Services
 542 Cancer Prevention and Research Institute of Texas
 551 Department of Agriculture
 554 Texas Animal Health Commission
 578 State Board of Veterinary Medical Examiners
 580 Texas Water Development Board
 582 Texas Commission on Environmental Quality
 582 Soil and Water Conservation Board
 601 Texas Department of Transportation
 608 Texas Department of Motor Vehicles
 644 Texas Juvenile Justice Department
 696 Texas Department of Criminal Justice
 701 Texas Education Agency
 802 Parks and Wildlife Department
 808 Texas Historical Commission
 809 State Preservation Board
 813 Texas Commission on the Arts



APPENDIX C

APPLICABLE TEXAS STATE USAS OBJECT CODES

CENTRALIZED PURCHASING STUDY OF TEXAS STATE AGENCIES

Texas Comptroller of Public Accounts

APPLICABLE TEXAS STATE USAS OBJECT CODES

Texas State USAS object codes applicable for SB 20 representing expenditure data:

Object Code	Description	USAS Category (2016)
7204	Insurance Premiums And Deductibles	OTHER EXPENDITURES
7205	Employee Bonds	OTHER EXPENDITURES
7206	Service Fee Paid To The Lottery Operator	OTHER EXPENDITURES
7211	Awards	OTHER EXPENDITURES
7216	Insurance Premiums - Approved By Board Of Insurance And Attorney General	OTHER EXPENDITURES
7218	Publications	PRINTING AND REPRODUCTION
7239	Consultant Services - Approval By Office Of The Governor	PROFESSIONAL SERVICE AND FEES
7240	Consultant Services - Other	PROFESSIONAL SERVICE AND FEES
7242	Consulting Services - Information Technology (Computer)	PROFESSIONAL SERVICE AND FEES
7243	Educational/Training Services	PROFESSIONAL SERVICE AND FEES
7245	Financial And Accounting Services	PROFESSIONAL SERVICE AND FEES
7248	Medical Services	PROFESSIONAL SERVICE AND FEES
7249	Veterinary Services	PROFESSIONAL SERVICE AND FEES
7253	Other Professional Services	PROFESSIONAL SERVICE AND FEES
7255	Investment Counseling Services	PROFESSIONAL SERVICE AND FEES
7256	Architectural/Engineering Services	PROFESSIONAL SERVICE AND FEES
7257	Legal Services - Approval By The State Office Of Administrative Hearings	PROFESSIONAL SERVICE AND FEES
7258	Legal Services	PROFESSIONAL SERVICE AND FEES
7262	Personal Property - Maintenance And Repair - Computer Software - Expensed	REPAIRS AND MAINTENANCE
7263	Personal Property - Maintenance And Repair - Aircraft - Expensed	REPAIRS AND MAINTENANCE
7266	Real Property - Buildings - Maintenance And Repair - Expensed	REPAIRS AND MAINTENANCE
7267	Personal Property - Maintenance And Repair - Computer Equipment - Expensed	REPAIRS AND MAINTENANCE
7270	Real Property - Infrastructure - Maintenance And Repair - Expensed	REPAIRS AND MAINTENANCE
7271	Real Property - Land - Maintenance And Repair - Expensed	REPAIRS AND MAINTENANCE
7272	Hazardous Waste Disposal Services	OTHER EXPENDITURES
7273	Reproduction And Printing Services	PRINTING AND REPRODUCTION

Object Code	Description	USAS Category (2016)
7274	Temporary Employment Agencies	OTHER EXPENDITURES
7275	Information Technology Services	PROFESSIONAL SERVICE AND FEES
7276	Communication Services	COMMUNICATIONS AND UTILITIES
7277	Cleaning Services	OTHER EXPENDITURES
7281	Advertising Services	OTHER EXPENDITURES
7284	Data Processing Services	OTHER EXPENDITURES
7286	Freight/Delivery Service	OTHER EXPENDITURES
7299	Purchased Contracted Services	OTHER EXPENDITURES
7300	Consumables	SUPPLIES AND MATERIALS
7304	Fuels And Lubricants - Other	SUPPLIES AND MATERIALS
7307	Fuels And Lubricants - Aircraft	SUPPLIES AND MATERIALS
7309	Promotional Items	OTHER EXPENDITURES
7310	Chemicals And Gases	SUPPLIES AND MATERIALS
7312	Medical Supplies	SUPPLIES AND MATERIALS
7315	Food Purchased By The State	SUPPLIES AND MATERIALS
7316	Food Purchased For Wards Of The State	SUPPLIES AND MATERIALS
7322	Personal Items - Wards Of The State	SUPPLIES AND MATERIALS
7324	Credit Card Purchases For Clients Or Wards Of The State	SUPPLIES AND MATERIALS
7325	Services For Wards Of The State	SUPPLIES AND MATERIALS
7328	Supplies/Materials - Agriculture, Construction And Hardware	SUPPLIES AND MATERIALS
7330	Parts - Furnishings And Equipment	SUPPLIES AND MATERIALS
7331	Plants	SUPPLIES AND MATERIALS
7333	Fabrics And Linens	SUPPLIES AND MATERIALS
7334	Personal Property - Furnishings, Equipment And Other - Expensed	OTHER EXPENDITURES
7335	Parts - Computer Equipment - Expensed	OTHER EXPENDITURES
7336	Real Property - Facilities And Other Improvements - Capitalized	CAPITAL OUTLAY
7337	Real Property - Facilities And Other Improvements - Capital Lease	CAPITAL OUTLAY
7338	Real Property - Facilities And Other Improvements - Maintenance And Repair - Expensed	REPAIRS AND MAINTENANCE
7340	Real Property And Improvements - Expensed	OTHER EXPENDITURES
7341	Real Property - Construction In Progress - Capitalized	CAPITAL OUTLAY
7343	Real Property - Building Improvements - Capitalized	CAPITAL OUTLAY
7344	Leasehold Improvements - Capitalized	CAPITAL OUTLAY
7346	Real Property - Land Improvements - Capitalized	CAPITAL OUTLAY

Object Code	Description	USAS Category (2016)
7347	Real Property - Construction In Progress/Highway Network - Capitalized	HIGHWAY CONSTRUCTION-CAPITAL OUTLAY
7350	Real Property - Buildings - Capital Lease	CAPITAL OUTLAY
7351	Personal Property - Passenger Cars - Capital Lease	CAPITAL OUTLAY
7352	Personal Property - Other Motor Vehicles - Capital Lease	CAPITAL OUTLAY
7354	Leasehold Improvements - Expensed	REPAIRS AND MAINTENANCE
7356	Real Property - Infrastructure - Capitalized	CAPITAL OUTLAY
7357	Real Property - Infrastructure/Preservation Costs - Capitalized	CAPITAL OUTLAY
7358	Real Property - Infrastructure/Preservation Costs - Expensed	REPAIRS AND MAINTENANCE
7361	Personal Property - Capitalized	CAPITAL OUTLAY
7365	Personal Property - Boats - Capitalized	CAPITAL OUTLAY
7366	Personal Property - Capital Lease	CAPITAL OUTLAY
7367	Personal Property - Maintenance And Repair - Expensed	REPAIRS AND MAINTENANCE
7368	Personal Property - Maintenance And Repair - Motor Vehicles - Expensed	REPAIRS AND MAINTENANCE
7371	Personal Property - Passenger Cars - Capitalized	CAPITAL OUTLAY
7372	Personal Property - Other Motor Vehicles - Capitalized	CAPITAL OUTLAY
7373	Personal Property - Furnishings And Equipment - Capitalized	CAPITAL OUTLAY
7374	Personal Property - Furnishings And Equipment - Controlled	OTHER EXPENDITURES
7375	Personal Property - Aircraft - Capitalized	CAPITAL OUTLAY
7376	Personal Property - Furnishings And Equipment - Capital Lease	CAPITAL OUTLAY
7377	Personal Property - Computer Equipment - Expensed	OTHER EXPENDITURES
7378	Personal Property - Computer Equipment - Controlled	OTHER EXPENDITURES
7379	Personal Property - Computer Equipment - Capitalized	CAPITAL OUTLAY
7380	Intangible Property - Computer Software - Expensed	OTHER EXPENDITURES
7384	Personal Property - Animals - Expensed	OTHER EXPENDITURES
7385	Personal Property - Computer Equipment - Capital Lease	CAPITAL OUTLAY
7386	Personal Property - Animals - Capitalized	CAPITAL OUTLAY
7393	Merchandise Purchased For Resale	COST OF GOODS SOLD
7394	Raw Material Purchases	COST OF GOODS SOLD
7395	Intangible - Computer Software - Purchased - Capitalized	CAPITAL OUTLAY
7406	Rental Of Furnishings And Equipment	RENTALS AND LEASES
7411	Rental Of Computer Equipment	RENTALS AND LEASES

Object Code	Description	USAS Category (2016)
7415	Rental Of Computer Software	RENTALS AND LEASES
7442	Rental Of Motor Vehicles	RENTALS AND LEASES
7445	Rental Of Aircraft	RENTALS AND LEASES
7449	Rental Of Marine Equipment	RENTALS AND LEASES
7510	Telecommunications - Parts And Supplies	COMMUNICATIONS AND UTILITIES
7512	Personal Property - Telecommunications Equipment - Capitalized	CAPITAL OUTLAY
7514	Real Property - Infrastructure- Telecommunications - Maintenance And Repair - Expensed	REPAIRS AND MAINTENANCE
7516	Telecommunications - Other Service Charges	COMMUNICATIONS AND UTILITIES
7517	Personal Property - Telecommunications Equipment - Expensed	COMMUNICATIONS AND UTILITIES
7519	Real Property - Infrastructure - Telecommunications - Capital Lease	CAPITAL OUTLAY
7520	Real Property - Infrastructure - Telecommunications - Capitalized	CAPITAL OUTLAY
7521	Real Property - Infrastructure - Telecommunications - Expensed	COMMUNICATIONS AND UTILITIES
7522	Telecommunications - Equipment Rental	COMMUNICATIONS AND UTILITIES
7526	Waste Disposal	COMMUNICATIONS AND UTILITIES



APPENDIX D

AGENCY EXPENDITURES TO ALL FUNDS

CENTRALIZED PURCHASING STUDY OF TEXAS STATE AGENCIES

Texas Comptroller of Public Accounts

AGENCY EXPENDITURES TO ALL FUNDS

Agency Number	Agency Name	2014 Expenditure	2014 Total All Funds	Expenditure % of All Funds	2015 Expenditure	2015 Total All Funds	Expenditure % of All Funds
601	TEXAS DEPARTMENT OF TRANSPORTA	\$6,601,296,965	\$9,569,923,752	69%	\$6,661,770,427	\$9,229,612,260	72%
303	TEXAS FACILITIES COMMISSION	\$47,261,676	\$78,917,472	60%	\$66,161,801	\$98,587,004	67%
326	TEXAS EMERGENCY SERVICES RETIR	\$889,547	\$1,309,784	68%	\$918,630	\$1,435,373	64%
306	TX STATE LIBRARY AND ARCHIVES	\$14,420,355	\$25,684,172	56%	\$14,987,703	\$26,861,346	56%
608	TEXAS DEPARTMENT OF MOTOR VEHI	\$78,192,065	\$134,014,135	58%	\$58,764,315	\$111,428,652	53%
809	STATE PRESERVATION BOARD	\$9,422,617	\$19,305,591	49%	\$11,513,473	\$22,360,683	51%
364	HEALTH PROFESSIONS COUNCIL	\$523,039	\$955,841	55%	\$454,017	\$939,656	48%
356	TEXAS ETHICS COMMISSION	\$971,325	\$3,265,238	30%	\$1,852,667	\$4,189,893	44%

Agency Number	Agency Name	2014 Expenditure	2014 Total All Funds	Expenditure % of All Funds	2015 Expenditure	2015 Total All Funds	Expenditure % of All Funds
808	TEXAS HISTORICAL COMMISSION	\$9,668,456	\$33,007,207	29%	\$13,122,961	\$31,845,063	41%
455	RAILROAD COMMISSION OF TEXAS	\$34,659,977	\$88,812,192	39%	\$33,271,235	\$91,189,932	36%
401	TEXAS MILITARY DEPARTMENT	\$34,150,492	\$77,435,243	44%	\$47,068,849	\$129,955,960	36%
307	SECRETARY OF STATE	\$5,121,809	\$33,251,312	15%	\$9,265,466	\$28,072,190	33%
507	TEXAS BOARD OF NURSING	\$3,340,555	\$11,505,841	29%	\$3,615,457	\$12,465,368	29%
300	GOVERNOR - FISCAL	\$40,725,485	\$151,874,954	27%	\$52,222,204	\$185,989,079	28%
305	GENERAL LAND OFFICE	\$268,111,080	\$1,114,773,259	24%	\$323,450,859	\$1,258,289,142	26%
802	PARKS & WILDLIFE DEPARTMENT	\$92,963,029	\$327,283,549	28%	\$86,162,096	\$344,637,327	25%
592	STATE SOIL AND WATER CONSERVAT	\$3,111,799	\$17,091,162	18%	\$5,061,625	\$20,388,093	25%
243	TEXAS STATE LAW LIBRARY	\$170,000	\$1,134,096	15%	\$302,784	\$1,235,123	25%

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Agency Number	Agency Name	2014 Expenditure	2014 Total All Funds	Expenditure % of All Funds	2015 Expenditure	2015 Total All Funds	Expenditure % of All Funds
582	TX COMMISSION ON ENVIRONMENTAL	\$74,333,430	\$360,487,559	21%	\$87,977,251	\$366,169,768	24%
304	COMPTROLLER OF PUBLIC ACCOUNTS	\$63,473,553	\$279,482,867	23%	\$68,207,370	\$299,355,265	23%
696	TEXAS DEPARTMENT OF CRIMINAL J	\$861,617,302	\$3,587,852,231	24%	\$762,343,766	\$3,623,490,933	21%
405	TEXAS DEPARTMENT OF PUBLIC SAF	\$279,759,381	\$1,176,965,599	24%	\$268,685,413	\$1,291,738,692	21%
362	TEXAS LOTTERY COMMISSION	\$155,556,777	\$819,869,546	19%	\$157,366,751	\$773,493,990	20%
475	OFFICE OF PUBLIC UTILITY COUNS	\$70,961	\$1,831,035	4%	\$471,328	\$2,608,964	18%
308	STATE AUDITOR'S OFFICE	\$3,188,902	\$20,853,251	15%	\$3,765,634	\$22,675,581	17%
481	TX BOARD OF PROFESSIONAL GEOSC	\$102,604	\$639,106	16%	\$107,371	\$656,519	16%
542	CANCER PREVENTION & RESEARCH I	\$10,388,991	\$69,675,891	15%	\$13,063,804	\$81,658,945	16%

Agency Number	Agency Name	2014 Expenditure	2014 Total All Funds	Expenditure % of All Funds	2015 Expenditure	2015 Total All Funds	Expenditure % of All Funds
554	TEXAS ANIMAL HEALTH COMMISSION	\$1,697,362	\$11,964,167	14%	\$2,165,407	\$14,004,021	15%
537	DEPARTMENT OF STATE HEALTH SER	\$486,032,355	\$3,005,658,473	16%	\$467,500,936	\$3,166,488,488	15%
503	TEXAS MEDICAL BOARD	\$2,520,956	\$14,586,857	17%	\$2,141,733	\$15,054,746	14%
456	TEXAS STATE BOARD OF PLUMBING	\$304,780	\$2,543,987	12%	\$371,837	\$2,665,668	14%
515	TEXAS STATE BOARD OF PHARMACY	\$1,160,558	\$6,875,531	17%	\$997,883	\$7,575,567	13%
504	STATE BOARD OF DENTAL EXAMINER	\$424,970	\$3,812,126	11%	\$644,207	\$4,930,693	13%
103	TEXAS LEGISLATIVE COUNCIL	\$6,894,741	\$38,999,082	18%	\$4,980,703	\$40,055,736	12%
513	TEXAS FUNERAL SERVICE COMMISSI	\$127,580	\$802,266	16%	\$111,983	\$939,948	12%

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Agency Number	Agency Name	2014 Expenditure	2014 Total All Funds	Expenditure % of All Funds	2015 Expenditure	2015 Total All Funds	Expenditure % of All Funds
457	TEXAS STATE BOARD OF PUBLIC AC	\$598,235	\$4,912,238	12%	\$595,698	\$5,126,868	12%
458	TEXAS ALCOHOLIC BEVERAGE COMMI	\$7,015,181	\$50,690,229	14%	\$5,931,156	\$53,310,124	11%
514	TEXAS OPTOMETRY BOARD	\$59,760	\$487,882	12%	\$55,083	\$500,488	11%
512	STATE BD OF PODIATRIC MEDICAL	\$51,480	\$300,222	17%	\$34,868	\$336,570	10%
454	TEXAS DEPARTMENT OF INSURANCE	\$12,196,970	\$143,660,506	8%	\$14,388,511	\$139,952,330	10%
466	OFFICE OF CONSUMER CREDIT COMM	\$499,637	\$7,274,323	7%	\$848,577	\$8,383,645	10%
407	COMM ON LAW ENF OFFICER STANDA	\$563,500	\$3,793,603	15%	\$396,096	\$3,952,725	10%
460	TEXAS BOARD OF PROFESSIONAL EN	\$362,438	\$3,042,399	12%	\$312,852	\$3,134,641	10%
530	DEPT OF FAMILY & PROTECTIVE SE	\$146,270,632	\$1,471,648,529	10%	\$151,547,039	\$1,567,946,408	10%

Agency Number	Agency Name	2014 Expenditure	2014 Total All Funds	Expenditure % of All Funds	2015 Expenditure	2015 Total All Funds	Expenditure % of All Funds
352	TEXAS BOND REVIEW BOARD	\$297,309	\$1,013,548	29%	\$79,828	\$881,400	9%
329	TEXAS REAL ESTATE COMMISSION	\$588,627	\$8,577,185	7%	\$761,978	\$9,187,022	8%
644	TEXAS JUVENILE JUSTICE DEPARTM	\$30,670,059	\$347,530,196	9%	\$25,222,697	\$336,574,572	7%
538	DEPT OF ASSISTIVE & REHABILITA	\$43,866,292	\$583,720,932	8%	\$44,969,716	\$600,636,288	7%
338	STATE PENSION REVIEW BOARD	\$124,502	\$1,066,873	12%	\$75,773	\$1,040,265	7%
215	OFFICE OF CAPITAL WRITS	\$178,426	\$1,130,211	16%	\$91,620	\$1,278,593	7%
464	TX BOARD OF PROFESSIONAL LAND	\$35,287	\$410,459	9%	\$29,166	\$408,129	7%
469	CREDIT UNION DEPARTMENT	\$121,577	\$2,853,568	4%	\$214,836	\$3,038,869	7%
313	DEPARTMENT OF INFORMATION RESO	\$14,884,968	\$303,606,192	5%	\$21,404,133	\$315,046,364	7%

Agency Number	Agency Name	2014 Expenditure	2014 Total All Funds	Expenditure % of All Funds	2015 Expenditure	2015 Total All Funds	Expenditure % of All Funds
520	BOARD OF EXAMINERS OF PSYCHOLO	\$64,519	\$1,052,563	6%	\$67,279	\$998,174	7%
411	TEXAS COMMISSION ON FIRE PROTE	\$243,337	\$2,418,944	10%	\$155,852	\$2,423,234	6%
508	TEXAS BOARD OF CHIROPRACTIC EX	\$71,772	\$796,186	9%	\$62,599	\$982,304	6%
578	STATE BD OF VETERINARY MEDICAL	\$103,839	\$1,308,346	8%	\$86,134	\$1,364,374	6%
104	LEGISLATIVE BUDGET BOARD	\$929,876	\$17,511,280	5%	\$1,114,398	\$17,685,713	6%
452	TEXAS DEPT OF LICENSING & REGU	\$2,492,806	\$28,212,798	9%	\$1,903,104	\$30,956,823	6%
479	STATE OFFICE OF RISK MANAGEMEN	\$3,046,669	\$45,384,609	7%	\$2,966,248	\$48,398,725	6%
359	OFFICE OF PUBLIC INSURANCE COU	\$109,068	\$1,084,601	10%	\$57,965	\$1,023,690	6%
459	TEXAS BOARD OF ARCHITECTURAL E	\$100,082	\$1,991,884	5%	\$116,012	\$2,056,233	6%

Agency Number	Agency Name	2014 Expenditure	2014 Total All Funds	Expenditure % of All Funds	2015 Expenditure	2015 Total All Funds	Expenditure % of All Funds
476	TEXAS RACING COMMISSION	\$421,086	\$8,561,011	5%	\$440,943	\$8,614,435	5%
409	COMMISSION ON JAIL STANDARDS	\$64,060	\$1,061,339	6%	\$50,077	\$1,092,264	5%
212	OFFICE OF COURT ADMINISTRATION	\$3,860,687	\$73,175,396	5%	\$3,012,536	\$65,960,081	5%
403	TEXAS VETERANS COMMISSION	\$869,027	\$29,775,999	3%	\$1,565,814	\$35,251,458	4%
539	DEPARTMENT OF AGING AND DISABI	\$236,840,161	\$6,369,562,932	4%	\$248,272,179	\$5,657,597,555	4%
360	STATE OFFICE OF ADMINISTRATIVE	\$384,376	\$10,818,310	4%	\$475,381	\$11,451,057	4%
312	STATE SECURITIES BOARD	\$363,946	\$8,182,640	4%	\$344,341	\$8,523,614	4%
105	LEGISLATIVE REFERENCE LIBRARY	\$93,775	\$1,775,412	5%	\$78,253	\$1,974,241	4%
242	STATE COMMISSION ON JUDICIAL C	\$27,769	\$1,108,813	3%	\$44,164	\$1,141,922	4%

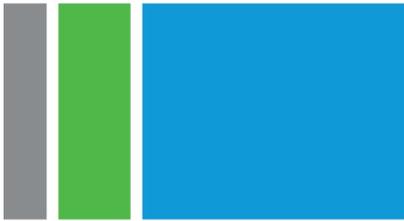
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Agency Number	Agency Name	2014 Expenditure	2014 Total All Funds	Expenditure % of All Funds	2015 Expenditure	2015 Total All Funds	Expenditure % of All Funds
451	TEXAS DEPARTMENT OF BANKING	\$724,467	\$23,322,809	3%	\$905,083	\$24,557,644	4%
580	TEXAS WATER DEVELOPMENT BOARD	\$5,859,024	\$176,804,711	3%	\$7,412,847	\$221,139,946	3%
533	EXEC CNCL OF PHYSICAL & OCC TH	\$85,602	\$1,464,485	6%	\$49,227	\$1,472,713	3%
101	SENATE	\$1,544,251	\$36,753,250	4%	\$1,302,625	\$39,755,713	3%
450	DEPARTMENT OF SAVINGS & MORTGA	\$233,955	\$5,595,683	4%	\$179,683	\$5,501,664	3%
225	5TH COURT OF APPEALS DISTRICT	\$156,442	\$7,089,732	2%	\$222,054	\$7,165,618	3%
102	HOUSE OF REPRESENTATIVES	\$1,535,671	\$40,943,474	4%	\$1,446,444	\$50,189,236	3%
529	HEALTH AND HUMAN SERVICES COMM	\$911,536,750	\$29,853,972,169	3%	\$959,961,321	\$34,859,489,072	3%
477	COMM ON STATE EMERGENCY COMMUN	\$861,929	\$152,164,303	1%	\$4,288,511	\$160,199,197	3%

Agency Number	Agency Name	2014 Expenditure	2014 Total All Funds	Expenditure % of All Funds	2015 Expenditure	2015 Total All Funds	Expenditure % of All Funds
347	TEXAS PUBLIC FINANCE AUTHORITY	\$5,026,475	\$132,208,355	4%	\$3,632,811	\$138,162,435	3%
213	OFFICE OF STATE PROSECUTING AT	\$18,482	\$459,542	4%	\$11,469	\$476,580	2%
473	PUBLIC UTILITY COMMISSION OF T	\$4,949,653	\$327,038,095	2%	\$4,627,645	\$194,086,175	2%
223	3RD COURT OF APPEALS DISTRICT	\$55,487	\$3,447,880	2%	\$81,764	\$3,464,578	2%
448	OFFICE OF INJURED EMPLOYEE COU	\$117,075	\$10,420,824	1%	\$248,222	\$10,520,640	2%
231	11TH COURT OF APPEALS DISTRICT	\$35,570	\$1,799,084	2%	\$41,251	\$1,836,602	2%
221	1ST COURT OF APPEALS DISTRICT	\$119,485	\$5,072,721	2%	\$106,834	\$5,139,095	2%
551	DEPARTMENT OF AGRICULTURE	\$10,041,759	\$550,801,383	2%	\$10,873,853	\$595,303,971	2%
813	TEXAS COMMISSION ON THE ARTS	\$99,871	\$6,464,573	2%	\$114,972	\$6,903,496	2%

Agency Number	Agency Name	2014 Expenditure	2014 Total All Funds	Expenditure % of All Funds	2015 Expenditure	2015 Total All Funds	Expenditure % of All Funds
116	SUNSET ADVISORY COMMISSION	\$72,648	\$2,840,484	3%	\$43,698	\$2,690,722	2%
228	8TH COURT OF APPEALS DISTRICT	\$34,392	\$1,855,264	2%	\$29,585	\$1,839,499	2%
224	4TH COURT OF APPEALS DISTRICT	\$76,369	\$3,951,665	2%	\$65,270	\$4,066,691	2%
230	10TH COURT OF APPEALS DISTRICT	\$40,960	\$1,752,366	2%	\$27,881	\$1,777,491	2%
232	12TH COURT OF APPEALS DISTRICT	\$14,723	\$1,795,538	1%	\$28,459	\$2,114,879	1%
234	14TH COURT OF APPEALS DISTRICT	\$50,730	\$5,438,643	1%	\$72,475	\$5,430,138	1%
323	TEACHER RETIREMENT SYSTEM OF T	\$30,482,002	\$5,340,862,786	1%	\$82,926,569	\$6,498,154,853	1%
302	OFFICE OF THE ATTORNEY GENERAL	\$76,565,023	\$4,997,720,628	2%	\$63,745,319	\$5,144,648,152	1%
222	2ND COURT OF APPEALS DISTRICT	\$46,730	\$4,034,955	1%	\$49,820	\$4,045,936	1%
227	7TH COURT OF APPEALS DISTRICT	\$35,509	\$2,240,596	2%	\$28,158	\$2,378,232	1%

Agency Number	Agency Name	2014 Expenditure	2014 Total All Funds	Expenditure % of All Funds	2015 Expenditure	2015 Total All Funds	Expenditure % of All Funds
327	EMPLOYEES RETIREMENT SYSTEM OF	\$18,371,185	\$2,149,483,564	1%	\$21,368,640	\$2,409,141,574	1%
332	TX DEPT OF HOUSING & COMMUNITY	\$2,413,853	\$291,745,516	1%	\$2,245,909	\$253,691,708	1%
226	6TH COURT OF APPEALS DISTRICT	\$22,229	\$1,828,287	1%	\$14,591	\$1,872,737	1%
320	TEXAS WORKFORCE COMMISSION	\$24,248,523	\$3,873,767,080	1%	\$27,487,989	\$3,740,385,197	1%
201	SUPREME COURT	\$282,912	\$36,491,739	1%	\$317,883	\$46,257,344	1%
701	TEXAS EDUCATION AGENCY	\$191,468,079	\$25,102,393,036	1%	\$164,336,076	\$25,863,201,302	1%
229	9TH COURT OF APPEALS DISTRICT	\$-	\$2,296,576	0%	\$14,930	\$2,354,923	1%
211	COURT OF CRIMINAL APPEALS	\$86,893	\$15,687,385	1%	\$81,095	\$15,519,986	1%
233	13TH COURT OF APPEALS DISTRICT	\$6,590	\$3,359,641	0%	\$12,970	\$3,332,570	0%
Grand Total		\$10,988,448,507	\$103,807,315,360	10.59%	\$11,117,046,781	\$110,589,545,173	10.05%



APPENDIX E

LISTS OF KEY VENDORS

CENTRALIZED PURCHASING STUDY OF TEXAS STATE AGENCIES

Texas Comptroller of Public Accounts

LISTS OF KEY VENDORS

The table below represents a listing of the top 100 vendors based on total FY2015-2015 expenditures.

Payee Name	Total 2014-2015 Expense	Primary Object Code	Code %	Primary Agency	Agency %	Number of Agencies
WILLIAMS BROTHERS CONSTRUCTION CO INC	\$661,756,200.82	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
UNIVERSITY OF TX MED BRANCH AT GALVESTON	\$537,178,883.67	MEDICAL SERVICES	100%	Texas Department of Criminal Justice	100%	1
HEALTH AND HUMAN SERVICES COMMISSION	\$472,366,050.67	PURCHASED CONTRACTED SERVICES	92%	Department of Family and Protective Services	36%	13
LBJ INFRASTRUCTURE GROUP LLC	\$463,876,001.47	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
PEGASUS LINK CONSTRUCTORS LLC	\$458,305,472.40	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
AGL CONSTRUCTORS	\$449,150,042.82	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
W W WEBBER LLC	\$375,016,443.27	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
MAXIMUS INC	\$343,311,809.53	OTHER PROFESSIONAL SERVICES	100%	Health and Human Services Commission	100%	2
MORRIS & DICKSON COMPANY LIMITED	\$309,248,479.58	MEDICAL SUPPLIES	100%	Department of State Health Services	83%	2
JAMES CONSTRUCTION GROUP LLC	\$307,069,456.25	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	99%	Texas Department of Transportation	100%	1

Payee Name	Total 2014-2015 Expense	Primary Object Code	Code %	Primary Agency	Agency %	Number of Agencies
HUNTER INDUSTRIES LTD	\$250,620,641.44	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	90%	Texas Department of Transportation	100%	1
J D ABRAMS L P	\$235,010,376.63	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
NTE MOBILITY PARTNERS LLC	\$233,115,190.79	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
THE LANE CONSTRUCTION CORPORATION	\$227,267,731.83	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	97%	Texas Department of Transportation	100%	1
XEROX STATE HEALTHCARE LLC	\$227,149,976.37	OTHER PROFESSIONAL SERVICES	100%	Health and Human Services Commission	98%	2
ACCENTURE STATE HEALTHCARE SERVICES LLC	\$216,500,587.51	OTHER PROFESSIONAL SERVICES	100%	Health and Human Services Commission	98%	2
APAC-TEXAS INC	\$214,628,804.70	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	68%	Texas Department of Transportation	100%	3
GTECH CORPORATION	\$202,523,269.41	SERVICE FEE PAID TO THE LOTTERY OPERATOR	93%	Texas Lottery Commission	100%	1
AUSTIN BRIDGE & ROAD LP	\$182,143,428.67	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
ESR2P BUILDERS LLC	\$178,406,862.58	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
BIG CREEK CONSTRUCTION LTD	\$172,830,431.81	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	91%	Texas Department of Transportation	100%	1
ANGEL BROTHERS ENTERPRISES LTD	\$166,722,861.32	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	94%	Texas Department of Transportation	100%	1
NCS PEARSON INC	\$162,342,968.90	OTHER PROFESSIONAL SERVICES	100%	Texas Education Agency	100%	7
ANDERSON COLUMBIA CO INC	\$142,827,296.74	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	95%	Texas Department of Transportation	100%	1

Payee Name	Total 2014-2015 Expense	Primary Object Code	Code %	Primary Agency	Agency %	Number of Agencies
SOUTHGATE MOBILITY PARTNERS LLC	\$139,288,195.97	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
HNTB CORPORATION	\$137,377,478.25	ARCHITECTURAL/ENGINEERING SERV	90%	Texas Department of Transportation	92%	2
NORTHGATE CONSTRUCTORS	\$135,053,657.69	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
DELOITTE CONSULTING LLP	\$133,823,240.18	INFORMATION TECHNOLOGY SERVICES	90%	Health and Human Services Commission	83%	9
CLARK CONSTRUCTION OF TEXAS INC	\$113,302,061.92	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	64%	Texas Department of Transportation	100%	1
NORTHROP GRUMMAN SYSTEMS CORPORATION	\$112,108,524.40	INFORMATION TECHNOLOGY SERVICES	29%	Health and Human Services Commission	72%	5
HAYDON BUILDING CORP	\$111,383,149.67	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
KNIFE RIVER CORPORATION SOUTH	\$106,785,498.58	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	87%	Texas Department of Transportation	100%	2
ACCENTURE LLP	\$106,704,193.66	INFORMATION TECHNOLOGY SERVICES	56%	Texas Department of Transportation	38%	7
TEXAS DEPARTMENT OF CRIMINAL JUSTICE	\$103,608,997.92	PURCHASED CONTRACTED SERVICES	40%	Texas Department of Motor Vehicles	40%	85
J LEE MILLIGAN INC	\$101,512,727.48	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	82%	Texas Department of Transportation	100%	1
OHL USA INC	\$101,134,097.56	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
RK HALL LLC	\$99,801,307.50	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	92%	Texas Department of Transportation	100%	1

Payee Name	Total 2014-2015 Expense	Primary Object Code	Code %	Primary Agency	Agency %	Number of Agencies
TEXAS STERLING CONSTRUCTION CO	\$98,871,423.44	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	82%	Texas Department of Transportation	100%	1
VOYAGER FLEET SYSTEMS INC	\$98,595,873.34	FUELS AND LUBRICANTS-OTHER	93%	Department of Public Safety	38%	34
TEXAS CREDIT CARD PROCUREMENT PROGRAM	\$97,034,046.42	CONSUMABLES	44%	Texas Department of Criminal Justice	38%	42
NTT DATA INC	\$96,310,408.39	PURCHASED CONTRACTED SERVICES	55%	Texas Department of Transportation	95%	6
TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER	\$95,005,938.56	MEDICAL SERVICES	99%	Texas Department of Criminal Justice	99%	5
REECE ALBERT INC	\$94,428,938.95	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	91%	Texas Department of Transportation	100%	1
SEMA CONSTRUCTION INC	\$93,386,028.31	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
DAN WILLIAMS COMPANY	\$91,622,280.77	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	98%	Texas Department of Transportation	100%	1
ED BELL CONSTRUCTION CO	\$91,157,028.04	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
XEROX STATE AND LOCAL SOLUTIONS INC	\$89,451,293.20	PURCHASED CONTRACTED SERVICES	41%	Comptroller of Public Accounts	36%	6
AUSTIN RIBBON & COMPUTER SUPPLIES	\$88,212,301.51	PERSONAL PROP-COMPUTER EQUIP(CONTROLLED)	39%	Texas Department of Transportation	21%	73
LONGVIEW BRIDGE AND ROAD LTD	\$85,208,082.36	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	97%	Texas Department of Transportation	100%	1
BRANNAN PAVING COMPANY LTD	\$81,275,801.51	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	61%	Texas Department of Transportation	100%	1
URS CORPORATION	\$80,385,676.57	OTHER PROFESSIONAL SERVICES	53%	General Land Office	49%	5

Payee Name	Total 2014-2015 Expense	Primary Object Code	Code %	Primary Agency	Agency %	Number of Agencies
SLINGSHOT LLC	\$78,750,183.07	ADVERTISING SERVICES	100%	Governor – Fiscal	100%	1
R C SMITH COMPANIES DBA	\$78,302,269.18	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	82%	Texas Department of Transportation	100%	1
RONALD R WAGNER & CO LP	\$76,384,022.07	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	86%	Texas Department of Transportation	100%	1
LIBERTY MUTUAL INSURANCE COMPANY	\$75,849,082.36	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
VULCAN CONSTRUCTION MATERIALS LP	\$73,317,502.18	SUPPLY/MATERIAL-AGRIC,CONST,HARDWARE	100%	Texas Department of Transportation	99%	6
SUNDT CONSTRUCTION INC	\$70,867,642.82	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
NORTHEASTERN PAVERS INC	\$69,263,575.78	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	84%	Texas Department of Transportation	100%	1
FOREMOST PAVING INC	\$67,010,077.62	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	88%	Texas Department of Transportation	100%	1
DUININCK INC	\$65,570,149.78	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
TIBH INDUSTRIES INC - PRODUCTS	\$65,392,531.65	CONSUMABLES	55%	Texas Department of Criminal Justice	51%	73
JACOBS ENGINEERING GROUP INC	\$65,136,066.12	ARCHITECTURAL/ENGINEERING SERV	95%	Texas Department of Transportation	99%	3
TEXAS FACILITIES COMMISSION	\$64,866,756.88	PURCHASED CONTRACTED SERVICES	38%	Health and Human Services Commission	35%	69
LATINWORKS MARKETING LLC	\$62,807,899.29	ADVERTISING SERVICES	100%	Texas Lottery Commission	100%	1
WELLS FARGO BANK TRUSTEE FOR	\$62,600,000.00	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1

Payee Name	Total 2014-2015 Expense	Primary Object Code	Code %	Primary Agency	Agency %	Number of Agencies
CAMINO REAL REGIONAL						
XEROX CORPORATION	\$62,138,582.13	RENTAL OF FURNISHINGS/EQUIPMT	88%	Health and Human Services Commission	37%	63
SHI GOVERNMENT SOLUTIONS INC	\$62,057,549.48	PERS PROP-MAINT & REPAIR/COMP SFTWRE-EXP	51%	Department of State Health Services	19%	74
JONES BROS DIRT & PAVING CONTRACTORS INC	\$61,265,811.70	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	97%	Texas Department of Transportation	100%	1
TRUMAN ARNOLD COMPANIES	\$61,176,809.17	FUELS AND LUBRICANTS-OTHER	99%	Texas Department of Transportation	51%	9
ATKINS NORTH AMERICA INC	\$60,604,059.48	ARCHITECTURAL/ENGINEERING SERV	94%	Texas Department of Transportation	95%	6
MCKINSEY & COMPANY INC LLC	\$60,046,591.27	CONSULTANT SERVICES-OTHER	66%	Texas Department of Transportation	100%	1
D L LENNON INCORPORATED - CONTRACTOR	\$59,193,863.09	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	99%	Texas Department of Transportation	100%	1
HAAS-ANDERSON CONSTRUCTION LTD	\$58,223,125.43	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	89%	Texas Department of Transportation	100%	1
CARE INNS OF TEXAS	\$57,882,194.09	OTHER PROFESSIONAL SERVICES	100%	General Land Office	100%	1
JAGOE - PUBLIC COMPANY	\$56,670,840.28	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	83%	Texas Department of Transportation	100%	1
MARIO SINACOLA & SONS EXCAVATING INC	\$55,258,521.65	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
A L HELMCAMP INC	\$55,245,045.50	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	85%	Texas Department of Transportation	100%	1

Payee Name	Total 2014-2015 Expense	Primary Object Code	Code %	Primary Agency	Agency %	Number of Agencies
BAY LTD	\$53,272,264.63	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	91%	Texas Department of Transportation	100%	1
SCR CONSTRUCTION CO INC	\$52,868,252.50	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	72%	Texas Department of Transportation	100%	1
TIBH INDUSTRIES INC - TEMPS	\$52,061,135.13	TEMPORARY EMPLOYMENT AGENCIES	95%	Attorney General	20%	58
TIBH	\$50,815,266.62	RP-INFRASTRUCTURE/MAINT & REPAIR-EXP	74%	Texas Department of Transportation	100%	4
ZACHRY CONSTRUCTION CORPORATION	\$50,733,266.87	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	95%	Texas Department of Transportation	100%	1
UNION PACIFIC RAILROAD COMPANY	\$50,039,495.66	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	2
MISSOURI PETROLEUM PRODUCTS COMPANY	\$49,897,236.38	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	92%	Texas Department of Transportation	100%	1
MERCK SHARP & DOHME CORP	\$49,842,822.74	MEDICAL SUPPLIES	100%	Department of State Health Services	100%	1
JAY MILLS CONTRACTING INCORPORATED	\$49,271,955.88	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	87%	Texas Department of Transportation	100%	1
PRICE CONSTRUCTION LTD	\$49,138,190.96	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
DURWOOD GREENE CONSTRUCTION CO	\$49,104,326.31	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	70%	Texas Department of Transportation	100%	1
ISI CONTRACTING INC	\$48,071,387.44	RP-INFRASTRUCTURE/MAINT & REPAIR-EXP	73%	Texas Department of Transportation	100%	1
SHERRY MATTHEWS ADVERTISING	\$46,365,260.24	ADVERTISING SERVICES	74%	Texas Department of Transportation	54%	4

Payee Name	Total 2014-2015 Expense	Primary Object Code	Code %	Primary Agency	Agency %	Number of Agencies
OFFICE OF THE ATTORNEY GENERAL	\$46,253,973.99	OTHER PROFESSIONAL SERVICES	82%	Health and Human Services Commission	84%	17
NTE MOBILITY PARTNERS SEGMENTS 3 LLC	\$45,999,126.75	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
GILVIN-TERRILL LTD	\$43,477,980.82	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	96%	Texas Department of Transportation	100%	1
DEPARTMENT OF STATE HEALTH SERVICES	\$42,292,762.52	OTHER PROFESSIONAL SERVICES	46%	Health and Human Services Commission	51%	33
ZACK BURKETT CO	\$41,700,732.87	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	51%	Texas Department of Transportation	100%	1
LONE STAR ROAD CONSTRUCTION LTD	\$40,894,649.80	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
HASSELL CONSTRUCTION COMPANY INC	\$40,750,795.14	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
FELIX ASSOCIATES OF FLORIDA INC	\$39,163,729.87	REAL PROP/CONSTRUCT IN PROGRESS/HWY-CAP	100%	Texas Department of Transportation	100%	1
CH2M HILL INC	\$38,673,561.15	ARCHITECTURAL/ENGINEERING SERV	95%	Texas Department of Transportation	100%	2
UNIVERSITY OF TEXAS AT AUSTIN	\$37,930,894.18	OTHER PROFESSIONAL SERVICES	38%	Texas Department of Transportation	40%	59



APPENDIX F

PURCHASES BY PERSONNEL FOR FISCAL YEARS 2014-2015

CENTRALIZED PURCHASING STUDY OF TEXAS STATE AGENCIES

Texas Comptroller of Public Accounts

PURCHASES BY PERSONNEL FOR FISCAL YEARS 2014-2015

The below tables show by the numbers and value of purchases and contracts greater than \$25,000 executed by agencies in FY 2014 and FY2015. The figures were reported by agencies within their questionnaire responses.

2014 Totals						
Agency	Agency Name	Employees involved in purchasing and contracting	Number of Contracts	Value of Contracts	Sum of Number of Purchases	Value of Purchases
104	Legislative Budget Board	4	6	\$750,891.32	-	\$-
212	Office of Court Administration	2	25	\$16,266,097.00	3	\$125,116.20
221	Court of Appeals – First Court of Appeals District	2	2	\$53,658.00	13	\$22,786.50
223	Court of Appeals – Third Court of Appeals District	1	2	\$75,256.20	-	\$-
224	Court of Appeals – Fourth Court of Appeals District	-	-	\$-	-	\$-
225	Court of Appeals – Fifth Court of Appeals District	4	16	\$140,365.32	48	\$11,674.61
234	Court of Appeals – Fourteenth Court of Appeals District	2	2	\$53,658.00	13	\$22,786.50
300	Governor – Fiscal	1	-	\$-	6	\$330,843.05
302	Attorney General	17	641	\$147,970,748.90	282	\$83,941,924.21
303	Texas Facilities Commission Comptroller of Public Accounts (Agency Operations)	6 5	- 256	\$- \$66,021,740.03	2,046 256	\$179,038,829.13 \$66,021,740.03
304*	Statewide Procurement Division (Statewide Contracts)	32	-	\$-	-	\$-

2014 Totals						
Agency	Agency Name	Employees involved in purchasing and contracting	Number of Contracts	Value of Contracts	Sum of Number of Purchases	Value of Purchases
305	General Land Office	6	359	\$151,280,892.78	101	\$96,598,233.00
306	Texas State Library and Archives Commission	32	261	\$55,610,173.02	573	\$2,823,339.61
307	Secretary of State	3	38	\$35,479,749.17	11	\$30,524,468.48
312	State Securities Board	1	-	\$-	1	\$50,175.50
	Department of Information Resources (Agency Operations)	4	45	\$16,098,938.00	-	\$16,098,938.00
313*	Technology Sourcing (Statewide Contracts)	18	-	\$-	-	\$-
320	Texas Workforce Commission	6	24	\$20,562,956.57	138	\$9,986,377.83
323	Teacher Retirement System of Texas	5	90	\$58,998,878.06	14	\$49,727,386.00
327	Employees Retirement System of Texas	2	-	\$-	115	\$17,420,100.85
329	Texas Real Estate Commission	3	12	\$3,391,603.00	9	\$284,603.00
332	Texas Department of Housing and Community Affairs	4	37	\$4,702,079.97	9	\$2,638,575.00
338	State Pension Review Board	1	1	\$50,000.00	-	\$-
347	Texas Public Finance Authority	13	20	\$2,002,928.43	15	\$1,650,926.06
356	Texas Ethics Commission	3	3	\$2,503,118.07	3	\$187,100.43
359	Office of Public Insurance Counsel	1	1	\$60,000.00	-	\$-
360	State Office of Administrative Hearings	1	6	\$233,809.00	292	\$545,378.22
362	Texas Lottery Commission	6	6	\$13,626,040.00	54	\$175,574,279.00

PURCHASES BY PERSONNEL FOR FISCAL YEARS 2014-2015

The below tables show by the numbers and value of purchases and contracts greater than \$25,000 executed by agencies in FY 2014 and FY2015. The figures were reported by agencies within their questionnaire responses.

2014 Totals						
Agency	Agency Name	Employees involved in purchasing and contracting	Number of Contracts	Value of Contracts	Sum of Number of Purchases	Value of Purchases
104	Legislative Budget Board	4	6	\$750,891.32	-	\$-
212	Office of Court Administration	2	25	\$16,266,097.00	3	\$125,116.20
221	Court of Appeals – First Court of Appeals District	2	2	\$53,658.00	13	\$22,786.50
223	Court of Appeals – Third Court of Appeals District	1	2	\$75,256.20	-	\$-
224	Court of Appeals – Fourth Court of Appeals District	-	-	\$-	-	\$-
225	Court of Appeals – Fifth Court of Appeals District	4	16	\$140,365.32	48	\$11,674.61
234	Court of Appeals – Fourteenth Court of Appeals District	2	2	\$53,658.00	13	\$22,786.50
300	Governor – Fiscal	1	-	\$-	6	\$330,843.05
302	Attorney General	17	641	\$147,970,748.90	282	\$83,941,924.21
303	Texas Facilities Commission Comptroller of Public Accounts (Agency Operations)	6 5	- 256	\$- \$66,021,740.03	2,046 256	\$179,038,829.13 \$66,021,740.03
304*	Statewide Procurement Division (Statewide Contracts)	32	-	\$-	-	\$-

2014 Totals						
Agency	Agency Name	Employees involved in purchasing and contracting	Number of Contracts	Value of Contracts	Sum of Number of Purchases	Value of Purchases
305	General Land Office	6	359	\$151,280,892.78	101	\$96,598,233.00
306	Texas State Library and Archives Commission	32	261	\$55,610,173.02	573	\$2,823,339.61
307	Secretary of State	3	38	\$35,479,749.17	11	\$30,524,468.48
312	State Securities Board	1	-	\$-	1	\$50,175.50
	Department of Information Resources (Agency Operations)	4	45	\$16,098,938.00	-	\$16,098,938.00
313*	Technology Sourcing (Statewide Contracts)	18	-	\$-	-	\$-
320	Texas Workforce Commission	6	24	\$20,562,956.57	138	\$9,986,377.83
323	Teacher Retirement System of Texas	5	90	\$58,998,878.06	14	\$49,727,386.00
327	Employees Retirement System of Texas	2	-	\$-	115	\$17,420,100.85
329	Texas Real Estate Commission	3	12	\$3,391,603.00	9	\$284,603.00
332	Texas Department of Housing and Community Affairs	4	37	\$4,702,079.97	9	\$2,638,575.00
338	State Pension Review Board	1	1	\$50,000.00	-	\$-
347	Texas Public Finance Authority	13	20	\$2,002,928.43	15	\$1,650,926.06
356	Texas Ethics Commission	3	3	\$2,503,118.07	3	\$187,100.43
359	Office of Public Insurance Counsel	1	1	\$60,000.00	-	\$-
360	State Office of Administrative Hearings	1	6	\$233,809.00	292	\$545,378.22
362	Texas Lottery Commission	6	6	\$13,626,040.00	54	\$175,574,279.00

2014 Totals						
Agency	Agency Name	Employees involved in purchasing and contracting	Number of Contracts	Value of Contracts	Sum of Number of Purchases	Value of Purchases
364	Health Professions Council	1	-	\$-	1	\$249,810.00
401	Texas Military Department	8	85	\$7,862,894.57	97	\$9,497,839.97
403	Texas Veterans Commission	1	11	\$634,697.36	4	\$359,764.79
405	Department of Public Safety	39	-	\$-	255	\$127,023,594.48
451	Texas Department of Banking	1	6	\$537,610.87	-	\$-
452	Texas Department of Licensing and Regulation	4	-	\$2,663,771.00	-	\$976,638.00
454	Texas Department of Insurance	7	20	\$1,589,440.80	23	\$1,589,440.80
455	Railroad Commission of Texas	5	131	\$35,980,034.42	550	\$27,826,393.01
457	Texas State Board of Public Accountancy	5	5	\$382,614.25	-	\$-
458	Texas Alcoholic Beverage Commission	2	11	\$1,137,484.00	2	\$128,545.00
460	Texas Board of Professional Engineers	1	3	\$150,424.00	3	\$150,424.00
466	Office of Consumer Credit Commissioner	-	-	\$-	-	\$-
473	Public Utility Commission of Texas	-	-	\$-	-	\$-
475	Office of Public Utility Counsel	1	6	\$295,407.76	-	\$-
476	Texas Racing Commission	3	-	\$184,249.48	2	\$-
477	Commission on State Emergency Communications	2	10	\$8,021,880.00	5	\$7,270,874.00
479	State Office of Risk Management	2	2	\$2,133,946.00	2	\$124,189.00

2014 Totals						
Agency	Agency Name	Employees involved in purchasing and contracting	Number of Contracts	Value of Contracts	Sum of Number of Purchases	Value of Purchases
481	Texas Board of Professional Geoscientists	1	2	\$59,675.00	2	\$59,675.00
503	Texas Medical Board	3	3	\$248,948.20	113	\$248,948.20
504	State Board of Dental Examiners	1	1	\$97,500.00	-	\$-
507	Texas Board of Nursing	1	-	\$-	-	\$-
515	Texas State Board of Pharmacy	1	17	\$1,847,986.65	4	\$944,761.00
542	Cancer Prevention and Research Institute of Texas	-	-	\$-	-	\$-
551	Department of Agriculture	2	19	\$2,132,996.99	43	\$3,207,650.14
554	Texas Animal Health Commission	1	4	\$251,187.00	7	\$422,298.85
580	Texas Water Development Board	3	76	\$71,562,374.66	22	\$1,472,159.23
582	Texas Commission on Environmental Quality	10	676	\$60,006,419.63	1,798	\$10,303,971.27
592	Soil and Water Conservation Board	1	1	\$33,571.20	1	\$33,571.20
601	Texas Department of Transportation	128	324	\$189,120,249.58	3,208	\$386,470,124.25
608	Texas Department of Motor Vehicles	7	-	\$-	177	\$109,375,344.00
644	Texas Juvenile Justice Department	16	317	\$49,141,061.00	10,504	\$13,065,258.00
696	Texas Department of Criminal Justice	41	48	\$171,598,542.48	479	\$80,252,683.05
701	Texas Education Agency	8	159	\$208,220,283.86	53	\$7,015,501.89
802	Parks and Wildlife Department	15	301	\$60,781,820.91	-	\$-

2014 Totals						
Agency	Agency Name	Employees involved in purchasing and contracting	Number of Contracts	Value of Contracts	Sum of Number of Purchases	Value of Purchases
808	Texas Historical Commission	3	24	\$5,512,240.01	16	\$2,069,639.64
809	State Preservation Board	15	34	\$11,407,947.32	4	\$316,064.77
813	Texas Commission on the Arts	1	1	\$50,000.00	4	\$38,970.00
Grand Total		516	4,150	\$1,489,580,839.84	21,381	\$1,524,119,714.75

2015 Totals						
Agency	Agency Name	Employees involved in purchasing and contracting ²	Number of Contracts	Value of Contracts	Sum of Number of Purchases	Value of Purchases ⁶
104	Legislative Budget Board	3	7	\$819,452.50	-	\$-
212	Office of Court Administration	3	7	\$19,684,807.00	3	\$150,798.48
221	Court of Appeals – First Court of Appeals District	2	2	\$53,658.00	13	\$22,786.50
223	Court of Appeals – Third Court of Appeals District	1	2	\$79,068.68	-	\$-
224	Court of Appeals – Fourth Court of Appeals District	1	1	\$31,826.86	1	\$31,826.66
225	Court of Appeals – Fifth Court of Appeals District	4	16	\$143,759.56	48	\$11,979.99
234	Court of Appeals – Fourteenth Court of Appeals District	2	2	\$53,658.00	13	\$22,786.50
300	Governor – Fiscal	1	50	\$52,509,891.00	7	\$387,003.06
302	Attorney General	18	558	\$145,819,108.08	354	\$184,857,374.95
303	Texas Facilities Commission	6	-	\$-	407	\$114,237,868.77
	Comptroller of Public Accounts (Agency Operations)	5	257	\$64,750,854.96	257	\$64,750,854.96
304*	Statewide Procurement Division (Statewide Contracts)	32	-	\$-	-	\$-
305	General Land Office	6	291	\$174,632,195.83	67	\$26,188,738.00
306	Texas State Library and Archives Commission	34	205	\$19,618,633.48	603	\$713,346.05
307	Secretary of State	3	49	\$6,740,764.20	15	\$1,717,582.60
312	State Securities Board	1	-	\$-	1	\$65,500.00

2015 Totals						
Agency	Agency Name	Employees involved in purchasing and contracting ²	Number of Contracts	Value of Contracts	Sum of Number of Purchases	Value of Purchases ⁶
	Department of Information Resources (Agency Operations)	5	49	\$18,162,166.00	-	\$18,162,166.00
313*	Technology Sourcing (Statewide Contracts)	18	-	\$-	-	\$-
320	Texas Workforce Commission	7	66	\$26,732,292.05	122	\$11,365,689.51
323	Teacher Retirement System of Texas	6	92	\$1,539,692,004.59	9	\$1,520,923,158.81
327	Employees Retirement System of Texas	3	-	\$-	121	\$20,394,226.04
329	Texas Real Estate Commission	3	12	\$3,186,863.00	6	\$313,825.00
332	Texas Department of Housing and Community Affairs	4	26	\$2,246,572.82	3	\$211,112.98
338	State Pension Review Board	-	-	\$-	-	\$-
347	Texas Public Finance Authority	13	14	\$1,915,062.39	24	\$1,487,520.36
356	Texas Ethics Commission	3	5	\$6,314,836.50	5	\$156,781.21
359	Office of Public Insurance Counsel	1	1	\$177,000.00	-	\$-
360	State Office of Administrative Hearings	1	6	\$174,219.00	282	\$536,887.09
362	Texas Lottery Commission	5	9	\$3,355,427.00	67	\$169,886,415.00
364	Health Professions Council	1	-	\$-	2	\$306,932.04
401	Texas Military Department	7	75	\$12,314,658.61	124	\$17,751,958.77
403	Texas Veterans Commission	1	14	\$953,646.99	7	\$653,258.12
405	Department of Public Safety	39	-	\$-	713	\$338,047,387.79

2015 Totals						
Agency	Agency Name	Employees involved in purchasing and contracting ²	Number of Contracts	Value of Contracts	Sum of Number of Purchases	Value of Purchases ⁶
451	Texas Department of Banking	1	9	\$712,871.00	4	\$194,200.00
452	Texas Department of Licensing and Regulation	5	-	\$2,910,887.00	-	\$1,953,149.00
454	Texas Department of Insurance	6	38	\$5,457,303.93	38	\$5,457,303.93
455	Railroad Commission of Texas	4	225	\$36,476,323.37	639	\$26,797,800.97
457	Texas State Board of Public Accountancy	5	5	\$321,950.00	-	\$-
458	Texas Alcoholic Beverage Commission	1	12	\$990,098.00	3	\$199,520.00
460	Texas Board of Professional Engineers	1	2	\$72,485.00	1	\$45,382.00
466	Office of Consumer Credit Commissioner	2	3	\$182,666.76	-	\$214,832.00
473	Public Utility Commission of Texas	1	4	\$36,300,000.00	18	\$5,215,920.00
475	Office of Public Utility Counsel	1	6	\$612,556.12	-	\$-
476	Texas Racing Commission	3	2	\$419,781.44	2	\$-
477	Commission on State Emergency Communications	2	17	\$6,713,518.00	10	\$4,080,481.00
479	State Office of Risk Management	6	2	\$2,133,946.00	8	\$2,767,921.43
481	Texas Board of Professional Geoscientists	1	1	\$32,919.00	1	\$32,919.00
503	Texas Medical Board	2	5	\$353,362.35	136	\$333,855.28
504	State Board of Dental Examiners	1	-	\$97,500.00	-	\$-
507	Texas Board of Nursing	1	-	\$-	-	\$-

2015 Totals						
Agency	Agency Name	Employees involved in purchasing and contracting ²	Number of Contracts	Value of Contracts	Sum of Number of Purchases	Value of Purchases ⁶
515	Texas State Board of Pharmacy	1	14	\$1,715,219.21	7	\$1,218,566.23
542	Cancer Prevention and Research Institute of Texas	1	10	\$12,956,000.00	88	\$503,998.64
551	Department of Agriculture	2	55	\$7,723,805.26	63	\$5,368,837.11
554	Texas Animal Health Commission	1	8	\$652,200.15	12	\$653,634.22
580	Texas Water Development Board	3	51	\$22,952,054.79	38	\$2,865,771.75
582	Texas Commission on Environmental Quality	11	2,823	\$248,707,373.33	3,597	\$30,983,038.41
592	Soil and Water Conservation Board	3	7	\$1,463,994.35	9	\$1,463,994.35
601	Texas Department of Transportation	128	244	\$159,604,924.25	3,441	\$473,854,224.66
608	Texas Department of Motor Vehicles	9	-	\$-	174	\$135,878,607.76
644	Texas Juvenile Justice Department	17	355	\$44,554,363.00	8,828	\$15,644,256.00
696	Texas Department of Criminal Justice	43	68	\$1,175,731,967.11	378	\$58,421,080.92
701	Texas Education Agency	6	169	\$212,139,998.19	35	\$4,627,627.53
802	Parks and Wildlife Department	18	383	\$82,620,349.76	-	\$-
808	Texas Historical Commission	4	23	\$8,835,981.51	14	\$2,020,374.02
809	State Preservation Board	10	31	\$2,993,992.37	3	\$107,880.00
813	Texas Commission on the Arts	1	1	\$50,000.00	5	\$29,025.00

2015 Totals						
Agency	Agency Name	Employees involved in purchasing and contracting ²	Number of Contracts	Value of Contracts	Sum of Number of Purchases	Value of Purchases ⁶
Grand Total		534	6,389	\$4,176,652,818.35	20,826	\$3,274,289,966.45

* Central purchasing agencies (304 and 313) do not have contract values or purchases associated at the statewide level as these purchases take place within the other agencies both in-scope and out of scope

Texas Comptroller of Public Accounts
Publication #96-1794
Printed December 2016

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Statewide Procurement Division
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